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Raymond D. Cook, and Rajat Bahri

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

**IN RE STEC, INC. SECURITIES
LITIGATION**

This Document Relates To:

ALL ACTIONS

Lead Case No. 8:09-cv-01304-JVS (MLG)

**DEFENDANTS' ANSWER TO
SECOND CONSOLIDATED
AMENDED COMPLAINT**

Judge: Hon. James V. Selna
Court: 10C
Date: July 15, 2011

ANSWER

Defendant STEC, Inc. (“STEC” or the “Company”) and individual defendants Manouch Moshayedi, Mark Moshayedi, Raymond D. Cook, and Rajat Bahri (collectively, “Defendants”) hereby answer Plaintiff’s Second Consolidated Amended Complaint for Violation of the Federal Securities Laws (the “SAC”) as follows and reserve their rights to request dismissal of the SAC on any ground. To the extent not explicitly admitted, all allegations of the SAC are denied.¹

8 1. Answering Paragraph 1, Defendants admit that brothers
9 Manouch Moshayedi and Mehrdad (“Mark”) Moshayedi were among the co-
10 founders of STEC in 1990, and that they each sold approximately 4.1 million and
11 4.9 million STEC shares, or approximately 8.3 percent and 9.8 percent of their
12 STEC shares, respectively, in an underwritten secondary offering in August 2009.
13 Defendants further admit that the U.S. Securities and Exchange Commission
14 (“SEC”) is conducting a formal investigation involving trading in STEC securities,
15 that certain of STEC’s officers and employees, including Manouch Moshayedi and
16 Mark Moshayedi, have received subpoenas in connection with the investigation,
17 and that Defendants are fully cooperating with the SEC in regards to the
18 investigation. Defendants deny the remaining allegations Paragraph 1. Except as
19 expressly admitted, Defendants deny the allegations of this paragraph.

20 2. Answering Paragraph 2, Defendants aver that this paragraph
21 sets forth Plaintiff's characterization of this action as well as legal conclusions and
22 does not purport to require a response from Defendants. To the extent that

25 ¹ To the extent the headings in the SAC are intended to constitute factual
26 allegations, Defendants deny each and every such allegation. To the extent the
27 prefatory material on page 1 of the SAC prior to Paragraph 1 is intended to
constitute factual allegations requiring a response, Defendants deny each and
every such allegation.

1 Paragraph 2 purports to contain factual allegations requiring a response,
 2 Defendants deny the allegations of this paragraph.

3 3. Answering Paragraph 3, Defendants admit that STEC is a
 4 manufacturer of data storage devices for computer systems and that STEC's
 5 customers include original equipment manufacturers ("OEMs") such as EMC,
 6 IBM, Hitachi, Hewlett-Packard ("HP") and Sun Microsystems ("Sun"). With
 7 regard to the remaining allegations of this paragraph, Defendants lack knowledge
 8 or information sufficient to form a belief as to the truth of the allegations and deny
 9 the allegations on that basis. Except as expressly admitted, Defendants deny the
 10 allegations of this paragraph.

11 4. Answering Paragraph 4, with regard to the first and second
 12 sentences, Defendants admit that STEC manufactures the industry's most
 13 comprehensive line of enterprise-class solid-state drives ("SSDs") and that SSDs
 14 are used for storing information in a computer system. With regard to the third,
 15 fourth, and fifth sentences, Defendants aver that the allegations constitute a
 16 misleading and inaccurate oversimplification of a complex engineering and
 17 manufacturing process and deny the allegations on that basis. Defendants deny the
 18 remaining allegations of Paragraph 4. Except as expressly admitted, Defendants
 19 deny the allegations of this paragraph.

20 5. Answering Paragraph 5, Defendants admit that STEC's
 21 ZeusIOPS SSDs are high-performance enterprise-class data storage solutions that
 22 are faster at random input/output (I/O) than standard disk drives. With regard to
 23 the remaining allegations of Paragraph 5, Defendants aver that the allegations
 24 constitute a misleading and inaccurate oversimplification of a complex engineering
 25 and manufacturing process and deny the allegations on that basis. Except as
 26 expressly admitted, Defendants deny the allegations of this paragraph.

27 6. Answering Paragraph 6, with regard to the first sentence,
 28 Defendants admit that STEC was founded in 1990 by Manouch Moshayedi, Mark

1 Moshayedi, and Masoud (“Mike”) Moshayedi. With regard to the second
 2 sentence, Defendants admit that Manouch Moshayedi, Mark Moshayedi, and Mike
 3 Moshayedi have served as officers and directors of the Company. With regard to
 4 the third sentence, Defendants admit that Manouch Moshayedi is the Company’s
 5 Chief Executive Officer (“CEO”) and Chairman of the Company’s Board of
 6 Directors and that he held these positions during the Class Period, defined by
 7 Plaintiff as June 16, 2009 to February 23, 2010, inclusive. With regard to the
 8 fourth sentence, Defendants admit that Mark Moshayedi is the Company’s Chief
 9 Operating Officer (“COO”), Chief Technical Officer (“CTO”), President, and
 10 Secretary, as well as a member of the Company’s Board of Directors and Equity
 11 Awards Committee, and that he held these positions during the Class Period. With
 12 regard to the fifth sentence, Defendants admit that Mike Moshayedi was formerly
 13 the Company’s President and that he retired in 2007. With regard to the sixth
 14 sentence, Defendants further admit that Mike Moshayedi is not a Defendant in this
 15 action. Except as expressly admitted, Defendants deny the allegations of this
 16 paragraph.

17 7. Answering Paragraph 7, with regard to the first sentence,
 18 Defendants aver that the phrase “major shareholders” is vague and ambiguous and
 19 deny the allegations on that basis. With regard to the second sentence, Defendants
 20 admit that Manouch Moshayedi and Mark Moshayedi together owned
 21 approximately 35.4% of STEC’s common stock at the beginning of the Class
 22 Period. Defendants deny the remaining allegations of Paragraph 7. Except as
 23 expressly admitted, Defendants deny the allegations of this paragraph.

24 8. Answering Paragraph 8, Defendants deny the allegations
 25 contained therein, except to the extent that the allegations constitute legal
 26 conclusions to which no response is required.

27 9. Answering Paragraph 9, Defendants aver that their public
 28 statements are publicly available and speak for themselves. The allegations

1 contained in Paragraph 9 and its subparagraphs contain Plaintiff's characterization
 2 of these statements and do not purport to require a response from Defendants. To
 3 the extent that Paragraph 9 and its subparagraphs purport to contain factual
 4 assertions requiring a response, Defendants deny the allegations contained therein.
 5 Except as expressly admitted, Defendants deny the allegations of this paragraph
 6 and subparagraphs.

7 10. Answering Paragraph 10 and the chart that follows it,
 8 Defendants aver that the prices of STEC stock over time are publicly available and
 9 speak for themselves. The allegations of this paragraph and the chart contain
 10 Plaintiff's characterization of these prices and do not purport to require a response
 11 from Defendants. To the extent that Paragraph 10 purports to contain factual
 12 assertions requiring a response, Defendants deny the allegations contained therein.
 13 Except as expressly admitted, Defendants deny the allegations of this paragraph
 14 and the chart.

15 11. Answering Paragraph 11, Defendants admit that on August 3,
 16 2009, STEC announced a secondary offering of stock held by Manouch Moshayedi
 17 and Mark Moshayedi (the "Secondary Offering"). Defendants deny the remaining
 18 allegations of Paragraph 11. Except as expressly admitted, Defendants deny the
 19 allegations of this paragraph.

20 12. Answering Paragraph 12, Defendants admit that prior to the
 21 Secondary Offering, Manouch Moshayedi and Mark Moshayedi collectively
 22 owned approximately 35.4% of STEC's common stock, and that following the
 23 Secondary Offering, they collectively retained ownership of approximately 17.3%
 24 of STEC's common stock. Further answering Paragraph 12, Defendants admit that
 25 the proceeds, before expenses, from the Secondary Offering totaled \$267.8 million.
 26 Defendants deny the remaining allegations of Paragraph 12. Except as expressly
 27 admitted, Defendants deny the allegations of this paragraph.

28

1 13. Answering Paragraph 13, Defendants admit that Mark
 2 Moshayedi sold 466,292 of his STEC shares in June 2008 and 400,000 additional
 3 shares in March 2009 for proceeds of approximately \$6.5 million and \$3 million,
 4 respectively, and that Manouch Moshayedi sold 400,000 of his STEC shares in
 5 March 2009 for proceeds of approximately \$3 million. Defendants aver that
 6 transactions in STEC stock by Manouch Moshayedi and Mark Moshayedi are
 7 publicly available. To the extent that this paragraph contains Plaintiff's
 8 characterization of these transactions, the allegations do not purport to require a
 9 response by Defendants. To the extent that Paragraph 13 purports to contain
 10 factual assertions requiring a response, Defendants deny the allegations contained
 11 therein. Defendants deny the remaining allegations of Paragraph 13. Except as
 12 expressly admitted, Defendants deny the allegations of this paragraph.

13 14. Answering Paragraph 14, with regard to the first sentence,
 14 Defendants admit that STEC's 2009 Form 10-K, filed with the SEC on February
 15 23, 2010, reported that the SEC is conducting a formal investigation involving
 16 trading in STEC securities, that certain of STEC's officers and employees,
 17 including Manouch Moshayedi and Mark Moshayedi, have received subpoenas in
 18 connection with the investigation, and that Defendants are fully cooperating with
 19 the SEC in regards to the investigation. With regard to the second sentence,
 20 Defendants admit that STEC's Form 10-Q, filed with the SEC on November 2,
 21 2010, reported that the SEC investigation is ongoing. Defendants deny the
 22 remaining allegations of Paragraph 14. Except as expressly admitted, Defendants
 23 deny the allegations of this paragraph.

24 15. Answering Paragraph 15, Defendants aver that this paragraph
 25 sets forth Plaintiff's characterization of this action as well as legal conclusions and
 26 does not purport to require a response from Defendants. To the extent that
 27 Paragraph 15 purports to contain factual assertions requiring a response,
 28 Defendants deny the allegations contained therein.

1 16. Answering Paragraph 16, Defendants aver that on June 17,
 2 2011, the Court dismissed Plaintiff's Securities Act claims. Defendants will not
 3 address the allegations related to these claims, as no response is required.
 4 Defendants further aver that this paragraph sets forth Plaintiff's characterization of
 5 this action as well as legal conclusions and does not purport to require a response
 6 from Defendants. To the extent that Paragraph 16 purports to contain factual
 7 assertions requiring a response, Defendants deny the allegations contained therein.

8 17. Answering Paragraph 17, Defendants incorporate their answer
 9 to Paragraph 16.

10 18. Answering Paragraph 18, Defendants aver that on June 17,
 11 2011, the Court dismissed Plaintiff's Securities Act claims. Defendants will not
 12 address the allegations related to these claims, as no response is required.
 13 Defendants further aver that this paragraph sets forth Plaintiff's characterization of
 14 this action as well as legal conclusions and does not purport to require a response
 15 from Defendants. To the extent that Paragraph 18 purports to contain factual
 16 assertions requiring a response, Defendants deny the allegations contained therein.

17 19. Answering Paragraph 19, Defendants admit that this Court has
 18 jurisdiction over the subject matter of this action. Defendants deny the remaining
 19 allegations, except to the extent that the allegations constitute legal conclusions to
 20 which no response is required.

21 20. Answering Paragraph 20, Defendants admit that venue in this
 22 District is proper. Defendants admit that STEC maintains its principal place of
 23 business at 3001 Daimler Street, Santa Ana, California, and that this location is the
 24 principal place of business for Manouch Moshayedi, Mark Moshayedi, and
 25 Raymond D. Cook. Defendants deny the remaining allegations of this paragraph,
 26 except to the extent that the allegations therein constitute legal conclusions to
 27 which no response is required. Except as expressly admitted, Defendants deny the
 28 allegations of this paragraph.

1 21. Answering Paragraph 21, Defendants admit that they have used
2 the United States mail, interstate telephone communications, and the facilities of
3 the national securities markets. Defendants deny the remaining allegations of
4 Paragraph 21. Except as expressly admitted, Defendants deny the allegations of
5 this paragraph.

6 22. Answering Paragraph 22, with regard to the first and second
7 sentences, Defendants lack knowledge or information sufficient to form a belief as
8 to the truth of the allegations contained therein and deny the allegations on that
9 basis. With regard to the third sentence, Defendants admit that on July 14, 2010,
10 the Court appointed the State of New Jersey, Department of Treasury, Division of
11 Investment (“New Jersey”) as Lead Plaintiff. Except as expressly admitted,
12 Defendants deny the allegations of this paragraph.

13 23. Answering Paragraph 23, with regard to the first sentence,
14 Defendants lack knowledge or information sufficient to form a belief as to the truth
15 of the allegations contained therein and deny the allegations on that basis. With
16 regard to the second sentence, Defendants aver that this sentence sets forth
17 Plaintiff’s characterization of this action as well as legal conclusions and does not
18 purport to require a response from Defendants. To the extent that this sentence
19 purports to contain factual assertions requiring a response, Defendants deny the
20 allegations contained therein. With regard to the third sentence, Defendants lack
21 knowledge or information sufficient to form a belief as to the truth of the
22 allegations regarding the representative plaintiff’s alleged purchase of STEC
23 securities and deny the allegations on that basis. Defendants deny the remaining
24 allegations of the third sentence. Except as expressly admitted, Defendants deny
25 the allegations of this paragraph.

26 24. Answering Paragraph 24, with regard to the first sentence,
27 Defendants lack knowledge or information sufficient to form a belief as to the truth
28 of the allegations contained therein and deny the allegations on that basis. With

1 regard to the second sentence, Defendants aver that this sentence sets forth
 2 Plaintiff's characterization of this action as well as legal conclusions and does not
 3 purport to require a response from Defendants. To the extent that this sentence
 4 purports to contain factual assertions requiring a response, Defendants deny the
 5 allegations contained therein. Further answering the second sentence, Defendants
 6 aver that on June 17, 2011, the Court dismissed the Plaintiff's Securities Act
 7 claims. Defendants will not address the allegations of this sentence related to these
 8 claims, as no response is required. With regard to the third sentence, Defendants
 9 lack knowledge or information sufficient to form a belief as to the truth of the
 10 allegations regarding the representative plaintiff's alleged purchase of STEC
 11 securities and deny the allegations on that basis. Further answering the third
 12 sentence, Defendants aver that on June 17, 2011, the Court found that the
 13 representative plaintiff's alleged purchases of STEC common stock were not
 14 traceable to the Secondary Offering and therefore dismissed Plaintiff's Securities
 15 Claims for lack of standing. Defendants deny the remaining allegations of the
 16 third sentence. Except as expressly admitted, Defendants deny the allegations of
 17 this paragraph.

18 25. Answering Paragraph 25, with regard to the first sentence,
 19 Defendants admit that STEC is a California corporation with its principal place of
 20 business located at 3001 Daimler Street, Santa Ana, California. With regard to the
 21 second sentence, Defendants admit that STEC is a leading global provider of solid-
 22 state technologies and solutions tailored to meet the high-performance, high-
 23 reliability needs of OEMs such as EMC, IBM, HP, Hitachi and Sun. With regard
 24 to the third sentence, Defendants admit that during the Class Period, STEC's core
 25 business was its enterprise scale SSDs, such as the ZeusIOPS. With regard to the
 26 fourth sentence, Defendants admit that STEC manufactures the most
 27 comprehensive line of SSDs for the enterprise storage industry. Except as
 28 expressly admitted, Defendants deny the allegations of this paragraph.

1 26. Answering Paragraph 26, with regard to the first sentence,
2 Defendants admit that Manouch Moshayedi, Mark Moshayedi, and Mike
3 Moshayedi founded STEC, then named Simple Technology, Inc., in 1990. With
4 regard to the second sentence, Defendants aver that the phrase “grew rapidly
5 through acquisitions and expansions” is vague and ambiguous and deny the
6 allegations on that basis. With regard to the third sentence, Defendants admit that
7 the Company went public in September 2000. With regard to the fourth sentence,
8 Defendants admit that in 2007, STEC sold its consumer division, and introduced
9 the ZeusIOPS SSDs, a high-performance enterprise-class data storage solution.
10 Except as expressly admitted, Defendants deny the allegations of this paragraph.

11 27. Answering Paragraph 27, with regard to the first sentence,
12 Defendants admit that during the Class Period, STEC’s stock was publicly traded
13 on NASDAQ under the ticker symbol “STEC.” With regard to the second
14 sentence, Defendants admit that as of November 2, 2010, STEC had nearly 51
15 million shares of common stock outstanding. Except as expressly admitted,
16 Defendants deny the allegations of this paragraph.

17 28. Answering Paragraph 28, with regard to the first sentence,
18 Defendants admit that Manouch Moshayedi is the Company’s CEO, Chairman of
19 the Company’s Board of Directors, and a member of the Equity Awards
20 Committee, and that he held these positions during the Class Period. With regard
21 to the second sentence, Defendants admit that during the Class Period, Manouch
22 Moshayedi signed and certified STEC’s SEC filings pursuant to Sections 302 and
23 906 of the Sarbanes-Oxley Act of 2002, including the Company’s quarterly report
24 for the second quarter of 2009 and the 2009 Form 10-K. With regard to the third
25 sentence, Defendants admit that Manouch Moshayedi signed documents in
26 connection with the Secondary Offering, including the Registration Statement on
27 Form S-3 and the Prospectus contained in the Registration Statement. With regard
28 to the fourth sentence, Defendants aver that Manouch Moshayedi sold

1 approximately 4.1 million shares of STEC common stock through the Secondary
2 Offering for proceeds, before expenses, of approximately \$122 million. Except as
3 expressly admitted, Defendants deny the allegations of this paragraph.

4 29. Answering Paragraph 29, with regard to the first sentence,
5 Defendants admit that Mark Moshayedi is the Company's COO, CTO, President,
6 and Secretary, as well as a member of the Company's Board of Directors and
7 Equity Awards Committee, and that he held these positions during the Class
8 Period. With regard to the second sentence, Defendants admit that during the
9 Class Period, Mark Moshayedi signed STEC's SEC filings, including the
10 Registration Statement on Form S-3 and the 2009 Form 10-K. With regard to the
11 third sentence, Defendants aver that Mark Moshayedi sold approximately 4.9
12 million shares of STEC common stock through the Secondary Offering for
13 proceeds, before expenses, of approximately \$145 million. Except as expressly
14 admitted, Defendants deny the allegations of this paragraph.

15 30. Answering Paragraph 30, with regard to the first sentence,
16 Defendants admit that STEC hired Raymond D. Cook in November 2008. With
17 regard to the second sentence, Defendants admit that Raymond D. Cook is STEC's
18 Chief Financial Officer ("CFO") and Principal Accounting Officer and that he held
19 these positions during the Class Period. With regard to the third sentence,
20 Defendants admit that during the Class Period, Raymond D. Cook signed STEC's
21 SEC filings, including the Registration Statement on Form S-3, the Company's
22 quarterly report for the second quarter of 2009, the Company's current report on
23 Form 8-K for its 2009 second quarter earnings release, the Company's quarterly
24 report for the third quarter of 2009, the 2009 third quarter earnings release, the
25 2009 Form 10-K, the Company's current report on Form 8-K for its 2009 fourth
26 quarter earnings release, and STEC's September 10, 2009 letter to the SEC.
27 Except as expressly admitted, Defendants deny the allegations of this paragraph.
28

1 31. Answering Paragraph 31, Defendants deny the allegations
2 contained therein, except to the extent that the allegations constitute legal
3 conclusions to which no response is required.

4 32. Answering Paragraph 32, Defendants deny the allegations
5 contained therein, except to the extent that the allegations constitute legal
6 conclusions to which no response is required.

7 33. Answering Paragraph 33, with respect to the first sentence,
8 Defendants admit that Rajat Bahri is a member of STEC's Board of Directors and
9 Chair of the Board's Audit Committee and that he held these positions during the
10 Class Period. With regard to the second sentence, Defendants admit that during
11 the Class Period, Rajat Bahri signed STEC's SEC filings, including the
12 Registration Statement on Form S-3 and the 2009 Form 10-K. Further answering
13 Paragraph 33, Defendants aver that on June 17, 2011, the Court dismissed
14 Plaintiff's Securities Act claims. Defendants will not address the allegations
15 related to these claims, as no response is required. Except as expressly admitted,
16 Defendants deny the allegations of this paragraph.

17 34. Answering Paragraph 34, Defendants aver that the allegations
18 in this paragraph and its subparagraphs are vague and ambiguous and deny the
19 allegations on that basis. Further answering Paragraph 34 and its subparagraphs,
20 Defendants are informed and believe that the term "audit committee financial
21 expert" is defined in Item 407(d)(5) of Regulation S-K, which is publicly available
22 and speaks for itself. To the extent that this paragraph and its subparagraphs
23 contain Plaintiff's legal characterization of this securities regulation, the
24 allegations do not purport to require a response from Defendants. Except as
25 expressly admitted, Defendants deny the allegations of this paragraph and
26 subparagraphs.

27 35. Answering Paragraph 35, Defendants aver that this paragraph
28 sets forth Plaintiff's characterization of this action as well as legal conclusions and

1 does not purport to require a response from Defendants. To the extent that
2 Paragraph 35 purports to contain factual assertions requiring a response,
3 Defendants deny the allegations therein.

4 36. Answering Paragraph 36, with regard to the first sentence,
5 Defendants admit that Barclays Capital, Inc. (“Barclays Capital”) is an investment
6 bank that acted as an underwriter for the Secondary Offering. With regard to the
7 second sentence, Defendants lack knowledge or information sufficient to form a
8 belief as to the truth of the allegations contained therein. Further answering
9 Paragraph 36, Defendants aver that on June 17, 2011, the Court dismissed
10 Plaintiff’s Securities Act claims. Defendants will not address the allegations
11 related to these claims, as no response is required. Except as expressly admitted,
12 Defendants deny the allegations of this paragraph.

13 37. Answering Paragraph 37, with regard to the first sentence,
14 Defendants admit that Deutsche Bank Securities, Inc. (“Deutsche Bank”) is an
15 investment bank that acted as an underwriter for the Secondary Offering. With
16 regard to the second sentence, Defendants lack knowledge or information
17 sufficient to form a belief as to the truth of the allegations contained therein.
18 Further answering Paragraph 37, Defendants aver that on June 17, 2011, the Court
19 dismissed Plaintiff’s Securities Act claims. Defendants will not address the
20 allegations related to these claims, as no response is required. Except as expressly
21 admitted, Defendants deny the allegations of this paragraph.

22 38. Answering Paragraph 38, with regard to the first sentence,
23 Defendants admit that J.P. Morgan Securities Inc. (“J.P. Morgan”) is an investment
24 bank that acted as an underwriter for the Secondary Offering. With regard to the
25 second sentence, Defendants lack knowledge or information sufficient to form a
26 belief as to the truth of the allegations contained therein. Further answering
27 Paragraph 38, Defendants aver that on June 17, 2011, the Court dismissed
28 Plaintiff’s Securities Act claims. Defendants will not address the allegations

1 related to these claims, as no response is required. Except as expressly admitted,
2 Defendants deny the allegations of this paragraph.

3 39. Answering Paragraph 39, with regard to the first sentence,
4 Defendants admit that Oppenheimer & Co., Inc. (“Oppenheimer”) (collectively
5 with Barclays Capital, Deutsche Bank, and J.P. Morgan, “Underwriters”) is an
6 investment bank that acted as an underwriter for the Secondary Offering. With
7 regard to the second sentence, Defendants lack knowledge or information
8 sufficient to form a belief as to the truth of the allegations contained therein.
9 Further answering Paragraph 39, Defendants aver that on June 17, 2011, the Court
10 dismissed Plaintiff’s Securities Act claims. Defendants will not address the
11 allegations related to these claims, as no response is required. Except as expressly
12 admitted, Defendants deny the allegations of this paragraph.

13 40. Answering Paragraph 40, with regard to the first sentence,
14 Defendants admit that the Underwriters acted as underwriters for the Secondary
15 Offering consisting of 9 million shares of STEC common stock. With regard to the
16 second sentence and the chart that follows it, Defendants admit that the distribution
17 of the 9 million shares to the Underwriters (excluding the 1,350,000 share
18 overallotment option) was as follows:

| <u>Name</u> | <u>Number of shares</u> |
|------------------|-------------------------|
| J.P. Morgan | 2,925,000 |
| Deutsche Bank | 2,925,000 |
| Barclays Capital | 1,800,000 |
| Oppenheimer | 1,350,000 |

24 Further answering Paragraph 40, Defendants aver that on June 17, 2011, the Court
25 dismissed Plaintiff’s Securities Act claims. Defendants will not address the
26 allegations related to these claims, as no response is required. Except as expressly
27 admitted, Defendants deny the allegations of this paragraph.

28

1 41. Answering Paragraph 41, Defendants admit that the
2 Underwriters had the option, for a period of thirty days, to purchase up to an
3 additional 1,350,000 shares of STEC common stock to cover overallotments.
4 Further answering Paragraph 41, Defendants aver that on June 17, 2011, the Court
5 dismissed Plaintiff's Securities Act claims. Defendants will not address the
6 allegations related to these claims, as no response is required. Except as expressly
7 admitted, Defendants deny the allegations of this paragraph.

8 42. Answering Paragraph 42, Defendants admit that the
9 Underwriter received underwriting discounts and commissions totaling \$11.16
10 million. Further answering Paragraph 42, Defendants aver that on June 17, 2011,
11 the Court dismissed Plaintiff's Securities Act claims. Defendants will not address
12 the allegations related to these claims, as no response is required. Except as
13 expressly admitted, Defendants deny the allegations of this paragraph.

14 43. Answering Paragraph 43, Defendants lack knowledge or
15 information sufficient to form a belief as to the truth of the allegations of this
16 paragraph and deny the allegations on that basis. Further answering Paragraph 43,
17 Defendants aver that on June 17, 2011, the Court dismissed Plaintiff's Securities
18 Act claims. Defendants will not address the allegations related to these claims, as
19 no response is required.

20 44. Answering Paragraph 44, Defendants aver that this paragraph
21 sets forth Plaintiff's characterization of this action as well as legal conclusions and
22 does not purport to require a response from Defendants. To the extent that
23 Paragraph 44 purports to contain factual assertions requiring a response,
24 Defendants deny the allegations contained therein. Further answering Paragraph
25 44, Defendants aver that on June 17, 2011, the Court dismissed Plaintiff's
26 Securities Act claims. Defendants will not address the allegations related to these
27 claims, as no response is required.

28

1 45. Answering Paragraph 45, Defendants aver that their public
2 statements are publicly available and speak for themselves and that this paragraph
3 sets forth Plaintiff's characterization of these statements and do not purport to
4 require a response from Defendants. To the extent that Paragraph 45 purports to
5 contain factual assertions requiring a response, Defendants deny the allegations
6 contained therein.

7 46. Answering Paragraph 46, Defendants aver that on March 12,
8 2009, STEC filed with the SEC a Form 10-K for fiscal year 2008, which 10-K is
9 publicly available and speaks for itself. Except as expressly admitted, Defendants
10 deny the allegations of this paragraph.

11 47. Answering Paragraph 47, Defendants aver that their public
12 statements are publicly available and speak for themselves. Further answering
13 Paragraph 47, Defendants aver that the phrases "first stage" and "first phase" are
14 vague and ambiguous and deny the allegations of this paragraph on that basis.
15 Further answering Paragraph 47, Defendants aver that the allegations constitute a
16 misleading and inaccurate oversimplification of a lengthy and complex design-to-
17 production process and deny the allegations of this paragraph on that basis.
18 Answering the footnote in Paragraph 47, with regard to the first sentence,
19 Defendants aver that the allegations are vague and ambiguous and deny the
20 allegations on that basis. With regard to the second sentence in the footnote,
21 Defendants aver that on August 4, 2008, STEC hosted a second quarter 2008
22 conference call, the transcript of which is publicly available and speaks for itself.
23 Defendants deny the remaining allegations of Paragraph 47 and the footnote.
24 Except as expressly admitted, Defendants deny the allegations of this paragraph
25 and the footnote.

26 48. Answering Paragraph 48, Defendants aver that their public
27 statements are publicly available and speak for themselves. Further answering
28 Paragraph 48, Defendants aver that the phrase "second phase" is vague and

1 ambiguous and deny the allegations on that basis. Further answering Paragraph
2 48, Defendants aver that the allegations constitute a misleading and inaccurate
3 oversimplification of a lengthy and complex design-to-production process and
4 deny the allegations of this paragraph on that basis. Further answering Paragraph
5 48, Defendants aver that STEC hosted a second quarter 2009 conference call, the
6 transcript of which is publicly available and speaks for itself. Defendants deny the
7 remaining allegations of Paragraph 48. Except as expressly admitted, Defendants
8 deny the allegations of this paragraph.

9 49. Answering Paragraph 49, Defendants aver that their public
10 statements are publicly available and speak for themselves. Further answering
11 Paragraph 49, with regard to the first and second sentence, Defendants aver that the
12 phrase "third and final phase" is vague and ambiguous and deny the allegations on
13 that basis. Further answering the first and second sentences, Defendants aver that
14 the allegations in these sentences constitute a misleading and inaccurate
15 oversimplification of a lengthy and complex design-to-production process and
16 deny the allegations on that basis. Further answering the first sentence, Defendants
17 aver that STEC filed with the SEC a Form 10-K for fiscal year 2008, which 10-K
18 is publicly available and speaks for itself. Defendants deny the remaining
19 allegations of Paragraph 49. Except as expressly admitted, Defendants deny the
20 allegations of this paragraph.

21 50. Answering Paragraph 50, with regard to the first sentence,
22 Defendants admit that in 2007, ZeusIOPS had not yet been qualified by any
23 enterprise storage OEM. With regard to the second sentence, Defendants aver that
24 on May 14, 2007, STEC hosted a first quarter 2007 conference call, the transcript
25 of which is publicly available and speaks for itself. Except as expressly admitted,
26 Defendants deny the allegations of this paragraph.

27 51. Answering Paragraph 51, Defendants aver that on January 14,
28 2008, STEC issued a press release that is publicly available and speaks for itself.

1 Further answering Paragraph 51, Defendants lack knowledge or information
2 sufficient to form a belief as to the truth of the remaining allegations in the first
3 sentence and deny the allegations on that basis. Except as expressly admitted,
4 Defendants deny the allegations of this paragraph.

5 52. Answering Paragraph 52, Defendants aver that on March 5,
6 2008, STEC hosted a year-end conference call, the transcript of which is publicly
7 available and speaks for itself. Except as expressly admitted, Defendants deny the
8 allegations of this paragraph.

9 53. Answering Paragraph 53, Defendants aver that STEC filed with
10 the SEC a Form 10-Q for third quarter 2008, which 10-Q is publicly available and
11 speaks for itself. Defendants further aver that on November 10, 2008, STEC
12 hosted a third quarter 2008 conference call, the transcript of which is publicly
13 available and speaks for itself. With regard to the second sentence, Defendants
14 aver that the phrase "grown substantially" is vague and ambiguous and deny the
15 allegations on that basis. Except as expressly admitted, Defendants deny the
16 allegations of this paragraph.

17 54. Answering Paragraph 54, Defendants aver that STEC hosted a
18 first quarter 2009 conference call, the transcript of which is publicly available and
19 speaks for itself. Except as expressly admitted, Defendants deny the allegations of
20 this paragraph.

21 55. Answering Paragraph 55, Defendants admit that STEC hosted a
22 second quarter 2009 conference call, the transcript of which is publicly available
23 and speaks for itself. Except as expressly admitted, Defendants deny the
24 allegations of this paragraph.

25 56. Answering Paragraph 56, Defendants aver that STEC filed with
26 the SEC a Form 10-K for fiscal year 2008, which 10-K is publicly available and
27 speaks for itself. Answering the footnote in Paragraph 56, Defendants aver that on
28 May 14, 2007, STEC hosted a first quarter 2007 conference call and on May 5,

1 2008, STEC hosted a first quarter 2008 conference call, the transcripts of which are
2 publicly available and speak for themselves. Defendants lack knowledge and
3 information sufficient to form a belief as to the truth of the allegations regarding
4 EMC's expectations as contained in the second sentence of the footnote and deny
5 the allegations on that basis. Except as expressly admitted, Defendants deny the
6 allegations of this paragraph and the footnote.

7 57. Answering Paragraph 57, Defendants aver that on May 14,
8 2007, STEC hosted a first quarter 2007 conference call, the transcript of which is
9 publicly available and speaks for itself. Except as expressly admitted, Defendants
10 deny the allegations of this paragraph.

11 58. Answering Paragraph 58, Defendants aver that on August 3,
12 2009, STEC hosted a second quarter 2009 conference call, the transcript of which
13 is publicly available and speaks for itself. Except as expressly admitted,
14 Defendants deny the allegations of this paragraph.

15 59. Answering Paragraph 59, Defendants aver that their public
16 statements are publicly available and speak for themselves. Further answering
17 Paragraph 59, Defendants aver that the phrases "in the ordinary course of its
18 ZeusIOPS business" and "great spurts of growth" are vague and ambiguous and
19 deny the allegations of this paragraph on that basis. Defendants deny the
20 remaining allegations of Paragraph 59. Except as expressly admitted, Defendants
21 deny the allegations of this paragraph.

22 60. Answering Paragraph 60, Defendants aver that the transcripts of
23 STEC's quarterly earnings calls are publicly available and speak for themselves.
24 Further answering Paragraph 60, Defendants aver that the phrases "dramatic
25 amounts" and "steadily increasing ZeusIOPS sales" are vague and ambiguous and
26 deny the allegations on that basis. Defendants deny the remaining allegations of
27 Paragraph 60. Except as expressly admitted, Defendants deny the allegations of
28 this paragraph.

1 61. Answering Paragraph 61, Defendants aver that on March 5,
2 2008, STEC hosted a year-end conference call, the transcript of which is publicly
3 available and speaks for itself. Defendants deny the remaining allegations of
4 Paragraph 61. Except as expressly admitted, Defendants deny the allegations of
5 this paragraph.

6 62. Answering Paragraph 62, Defendants aver that on March 12,
7 2009, STEC issued a press release that is publicly available and speaks for itself.
8 Defendants further aver that on March 12, 2009, STEC hosted a year-end
9 conference call, the transcript of which is publicly available and speaks for itself.
10 Defendants deny the remaining allegations of Paragraph 62. Except as expressly
11 admitted, Defendants deny the allegations of this paragraph.

12 63. Answering Paragraph 63, with regard to the first sentence,
13 Defendants aver that on March 12, 2009, STEC hosted a fourth quarter 2008 and
14 year-end conference call, the transcript of which is publicly available and speaks
15 for itself. With regard to the second sentence, Defendants lack knowledge and
16 information sufficient to form a belief as to the truth of the allegations and deny the
17 allegations on that basis. Except as expressly admitted, Defendants deny the
18 allegations of this paragraph.

19 64. Answering Paragraph 64, Defendants aver that on August 3,
20 2009, STEC issued a press release that is publicly available and speaks for itself.
21 Defendants deny the remaining allegations of Paragraph 64. Except as expressly
22 admitted, Defendants deny the allegations of this paragraph.

23 65. Answering Paragraph 65, with regard to the first sentence,
24 Defendants aver that the allegations are vague and ambiguous and deny the
25 allegations of this sentence on that basis. Further answering Paragraph 65 and the
26 footnote that follows it, Defendants aver that on November 3, 2009, STEC hosted a
27 third quarter 2009 conference call, the transcript of which is publicly available and
28 speaks for itself. Defendants further aver that on August 3, 2009, STEC filed with

1 the SEC a Form 10-Q for second quarter 2009 and a Registration Statement on
2 Form 424B3, which filings are publicly available and speak for themselves.
3 Defendants deny the remaining allegations of Paragraph 65 and the footnote.
4 Except as expressly admitted, Defendants deny the allegations of this paragraph
5 and the footnote.

6 66. Answering Paragraph 66, Defendants aver that on July 16,
7 2009, STEC issued a press release that is publicly available and speaks for itself.
8 Defendants deny the remaining allegations of Paragraph 66. Except as expressly
9 admitted, Defendants deny the allegations of this paragraph.

10 67. Answering Paragraph 67, Defendants aver that on July 16,
11 2009, STEC issued a press release that is publicly available and speaks for itself.
12 Further answering Paragraph 67, Defendants aver that the phrases “average
13 quarterly purchases,” “significant quarterly increase,” and “high level of EMC’s
14 purchases” are vague and ambiguous and deny the allegations on that basis.
15 Further answering Paragraph 67, Defendants aver that their public statements are
16 publicly available and speak for themselves. Defendants deny the remaining
17 allegations of Paragraph 67. Except as expressly admitted, Defendants deny the
18 allegations of this paragraph.

19 68. Answering Paragraph 68, Defendants aver that on July 16,
20 2009, STEC issued a press release that is publicly available and speaks for itself.
21 Defendants deny the remaining allegations of Paragraph 68. Except as expressly
22 admitted, Defendants deny the allegations of this paragraph.

23 69. Answering Paragraph 69, Defendants aver that on July 16,
24 2009, STEC issued a press release that is publicly available and speaks for itself.
25 Further answering Paragraph 69, with regard to the first sentence, Defendants aver
26 that this sentence sets forth Plaintiff’s legal conclusions and does not purport to
27 require a response from Defendants. To the extent that this sentence purports to
28 contain factual allegations requiring a response, Defendants deny the allegations of

1 this paragraph. Further answering Paragraph 69, with regard to the first sentence,
2 Defendants lack knowledge and information sufficient to form a belief as to the
3 truth of certain of the allegations and deny the allegations on that basis. With
4 regard to the second sentence, Defendants aver that on July 16, 2009, Oppenheimer
5 published an analyst report regarding STEC, which report is publicly available and
6 speaks for itself. Except as expressly admitted, Defendants deny the allegations of
7 this paragraph.

8 70. Answering Paragraph 70, Defendants aver that on July 16,
9 2009, STEC issued a press release that is publicly available and speaks for itself.
10 Further answering Paragraph 70, Defendants aver that this paragraph sets forth
11 Plaintiff's legal conclusions and does not purport to require a response from
12 Defendants. To the extent that this paragraph purports to contain factual
13 allegations requiring a response, Defendants deny the allegations of this paragraph.
14 Defendants deny the remaining allegations of Paragraph 70. Except as expressly
15 admitted, Defendants deny the allegations of this paragraph.

16 71. Answering Paragraph 71, Defendants aver that on July 16,
17 2009, STEC issued a press release that is publicly available and speaks for itself.
18 Further answering Paragraph 71, Defendants aver that this paragraph sets forth
19 Plaintiff's legal conclusions and does not purport to require a response from
20 Defendants. To the extent that this paragraph purports to contain factual
21 allegations requiring a response, Defendants deny the allegations of this paragraph.
22 Further answering Paragraph 71, with regard to the first sentence, Defendants lack
23 knowledge and information sufficient to form a belief as to the truth of the
24 allegations and deny the allegations on that basis. With regard to the second
25 sentence, Defendants aver that on July 16, 2009, Oppenheimer published an
26 analyst report regarding STEC, which report is publicly available and speaks for
27 itself. Except as expressly admitted, Defendants deny the allegations of this
28 paragraph.

1 72. Answering Paragraph 72, Defendants aver that the prices of
2 STEC stock over time are publicly available and speak for themselves. Defendants
3 deny the remaining allegations of Paragraph 72. Except as expressly admitted,
4 Defendants deny the allegations of this paragraph.

5 73. Answering Paragraph 73, Defendants aver that on August 3,
6 2009, STEC filed with the SEC an earnings release on Form 8-K for second
7 quarter 2009, which 8-K is publicly available and speaks for itself. Defendants
8 deny the remaining allegations of Paragraph 73. Except as expressly admitted,
9 Defendants deny the allegations of this paragraph.

10 74. Answering Paragraph 74, Defendants aver that on August 3,
11 2009, STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
12 publicly available and speaks for itself. With regard to the second sentence,
13 Defendants aver that the phrase "ordinary course of STEC's business" is vague and
14 ambiguous and deny the allegations of this sentence on that basis. Defendants
15 deny the remaining allegations of Paragraph 74. Except as expressly admitted,
16 Defendants deny the allegations of this paragraph.

17 75. Answering Paragraph 75, Defendants aver that on August 28,
18 2009, Needham published an analyst report regarding STEC, which report is
19 publicly available and speaks for itself. Further answering Paragraph 75,
20 Defendants aver that this paragraph sets forth Plaintiff's legal conclusions and does
21 not purport to require a response from Defendants. To the extent that this
22 paragraph purports to contain factual allegations requiring a response, Defendants
23 deny the allegations of this paragraph. Further answering Paragraph 75,
24 Defendants lack knowledge and information sufficient to form a belief as to the
25 truth of certain of the allegations and deny the allegations on that basis.
26 Defendants deny the remaining allegations of Paragraph 75. Except as expressly
27 admitted, Defendants deny the allegations of this paragraph.

28

1 76. Answering Paragraph 76, Defendants aver that Manouch
2 Moshayedi and Mark Moshayedi each sold STEC stock in the Secondary Offering
3 in August 2009 and that the proceeds, before expenses, from such transactions
4 totaled \$267.8 million. Except as expressly admitted, Defendants deny the
5 allegations of this paragraph.

6 77. Answering Paragraph 77, Defendants aver that on November 3,
7 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
8 publicly available and speaks for itself. Defendants deny the remaining allegations
9 of Paragraph 77. Except as expressly admitted, Defendants deny the allegations of
10 this paragraph.

11 78. Answering Paragraph 78, Defendants aver on November 3,
12 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
13 publicly available and speaks for itself. Defendants deny the remaining allegations
14 of Paragraph 78. Except as expressly admitted, Defendants deny the allegations of
15 this paragraph.

16 79. Answering Paragraph 79, Defendants aver that on November 3,
17 2009, STEC filed an earnings release with the SEC on Form 8-K for third quarter
18 2009, which 8-K is publicly available and speaks for itself. Except as expressly
19 admitted, Defendants deny the allegations of this paragraph.

20 80. Answering Paragraph 80, Defendants aver that on November 3,
21 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
22 publicly available and speaks for itself. Further answering Paragraph 80,
23 Defendants aver that this paragraph sets forth Plaintiff's legal conclusions and does
24 not purport to require a response from Defendants. To the extent that this
25 paragraph purports to contain factual allegations requiring a response, Defendants
26 deny the allegations of this paragraph. Defendants further aver they lack
27 knowledge and information sufficient to form a belief as to the truth of certain of
28 the allegations and deny the allegations of this paragraph on that basis. Defendants

1 deny the remaining allegations of Paragraph 80. Except as expressly admitted,
2 Defendants deny the allegations of this paragraph.

3 81. Answering Paragraph 81, Defendants aver that on February 23,
4 2010, STEC filed an earnings release with the SEC on Form 8-K for fourth quarter
5 2009 and fiscal year 2009, which 8-K is publicly available and speaks for itself.
6 Further answering Paragraph 81, Defendants aver that this paragraph sets forth
7 Plaintiff's legal conclusions and does not purport to require a response from
8 Defendants. To the extent that this paragraph purports to contain factual
9 allegations requiring a response, Defendants deny the allegations of this paragraph.
10 Defendants deny the remaining allegations of Paragraph 81. Except as expressly
11 admitted, Defendants deny the allegations of this paragraph.

12 82. Answering Paragraph 82, Defendants aver that on February 24,
13 2010, B. Riley published an analyst report regarding STEC, which report is
14 publicly available and speaks for itself. Further answering Paragraph 82,
15 Defendants aver that this paragraph sets forth Plaintiff's legal conclusions and does
16 not purport to require a response from Defendants. To the extent that this
17 paragraph purports to contain factual allegations requiring a response, Defendants
18 deny the allegations of this paragraph. Defendants deny the remaining allegations
19 of Paragraph 82. Except as expressly admitted, Defendants deny the allegations of
20 this paragraph.

21 83. Answering Paragraph 83, Defendants aver that on February 24,
22 2010, Oppenheimer published an analyst report regarding STEC, which report is
23 publicly available and speaks for itself. Except as expressly admitted, Defendants
24 deny the allegations of this paragraph.

25 84. Answering Paragraph 84, Defendants aver that on February 23,
26 2010, Deutsche Bank published an analyst report regarding STEC, which report is
27 publicly available and speaks for itself. Further answering Paragraph 84,
28 Defendants aver that this paragraph sets forth Plaintiff's legal conclusions and does

1 not purport to require a response from Defendants. To the extent that this
2 paragraph purports to contain factual allegations requiring a response, Defendants
3 deny the allegations of this paragraph. Defendants deny the remaining allegations
4 of Paragraph 84. Except as expressly admitted, Defendants deny the allegations of
5 this paragraph.

6 85. Answering Paragraph 85, Defendants aver that on February 24,
7 2010, Thomas Weisel Partners published an analyst report regarding STEC, which
8 report is publicly available and speaks for itself. Further answering Paragraph 85,
9 Defendants aver that this paragraph sets forth Plaintiff's legal conclusions and does
10 not purport to require a response from Defendants. To the extent that this
11 paragraph purports to contain factual allegations requiring a response, Defendants
12 deny the allegations of this paragraph. Defendants deny the remaining allegations
13 of Paragraph 85. Except as expressly admitted, Defendants deny the allegations of
14 this paragraph.

15 86. Answering Paragraph 86, Defendants aver that on February 23,
16 2010, Deutsche Bank published an analyst report regarding STEC, which report is
17 publicly available and speaks for itself. Further answering Paragraph 86,
18 Defendants aver that the phrase "normalized quarterly' requirements" is vague
19 and ambiguous and deny the allegations of this paragraph on that basis. Furthering
20 answering Paragraph 86 and the footnote that follows it, Defendants aver that this
21 paragraph and the footnote set forth Plaintiff's characterization of this action and
22 do not purport to require a response from Defendants. To the extent that Paragraph
23 86 and the footnote purport to contain factual assertions requiring a response,
24 Defendants deny the allegations contained therein. Except as expressly admitted,
25 Defendants deny the allegations of this paragraph and the footnote.

26 87. Answering Paragraph 87, Defendants aver that STEC issued
27 press releases on July 16, 2009 and August 3, 2009 that are publicly available and
28 speak for themselves. Defendants further aver that on November 3, 2009, STEC

1 hosted a third quarter 2009 conference call, the transcript of which is publicly
2 available and speaks for itself. Defendants deny the remaining allegations of
3 Paragraph 87. Except as expressly admitted, Defendants deny the allegations of
4 this paragraph.

5 88. Answering Paragraph 88, Defendants aver that on August 3,
6 2009, STEC hosted a second quarter 2009 conference call, the transcript of which
7 is publicly available and speaks for itself. Defendants deny the remaining
8 allegations of Paragraph 88. Except as expressly admitted, Defendants deny the
9 allegations of this paragraph.

10 89. Answering Paragraph 89, Defendants lack knowledge and
11 information sufficient to form a belief as to the truth of the allegations regarding
12 EMC's statements or intent and deny the allegations on that basis. Defendants
13 deny the remaining allegations of Paragraph 89.

14 90. Answering Paragraph 90, Defendants lack knowledge and
15 information sufficient to form a belief as to the truth of the allegations regarding
16 EMC's statements or knowledge and deny the allegations on that basis. Further
17 answering Paragraph 90, Defendants aver that the phrase "intensely intimate
18 working relationship" is vague and ambiguous and deny the allegations on that
19 basis. Defendants deny the remaining allegations of Paragraph 90.

20 91. Answering Paragraph 91, Defendants aver that on November
21 10, 2008, STEC hosted a third quarter 2008 conference call, the transcript of which
22 is publicly available and speaks for itself. Except as expressly admitted,
23 Defendants deny the allegations of this paragraph.

24 92. Answering Paragraph 92, Defendants aver that on January 14,
25 2008, STEC issued a press release that is publicly available and speaks for itself.
26 Defendants deny the remaining allegations of Paragraph 92. Except as expressly
27 admitted, Defendants deny the allegations of this paragraph.

28

1 93. Answering Paragraph 93, with regard to the first sentence,
2 Defendants aver that their public statements are publicly available and speak for
3 themselves. Further answering the first sentence, Defendants aver that the phrase
4 “intimate relationship” is vague and ambiguous and deny the allegations of this
5 sentence on that basis. With regard to the second sentence, Defendants aver that
6 on March 12, 2009, STEC filed with the SEC a Form 10-K for fiscal year 2008,
7 which 10-K is publicly available and speaks for itself. With regard to the third
8 sentence, Defendants aver that STEC hosted a third quarter 2009 conference call,
9 the transcript of which is publicly available and speaks for itself. Defendants deny
10 the remaining allegations of Paragraph 93. Except as expressly admitted,
11 Defendants deny the allegations of this paragraph.

12 94. Answering Paragraph 94, with regard to the first sentence,
13 Defendants aver that on November 3, 2010, STEC hosted a third quarter 2009
14 conference call, the transcript of which is publicly available and speaks for itself.
15 With regard to the second and third sentences, Defendants aver that Manouch
16 Moshayedi and Mark Moshayedi each sold STEC shares in the Secondary Offering
17 in August 2009 and that the proceeds, before expenses, from such transactions
18 totaled \$267.8 million. Defendants deny the remaining allegations of Paragraph
19 94. Except as expressly admitted, Defendants deny the allegations of this
20 paragraph.

21 95. Answering Paragraph 95, Defendants aver that on November 3,
22 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
23 publicly available and speaks for itself. Except as expressly admitted, Defendants
24 deny the allegations of this paragraph.

25 96. Answering Paragraph 96, Defendants lack knowledge regarding
26 any alleged information purportedly provided by Confidential Witness 1 and deny
27 the allegations of this paragraph on that basis. Answering the footnote in
28 Paragraph 96, Defendants lack knowledge and information sufficient to form a

1 belief as to the truth of the allegations contained therein and deny the allegations in
2 the footnote on that basis. Defendants deny the remaining allegations of Paragraph
3 96 and the footnote.

4 97. Answering Paragraph 97, Defendants aver that Item 60(b)(10)
5 of Securities Regulation S-K is publicly available and speaks for itself. Defendants
6 aver that this paragraph contains Plaintiff's characterization of this securities
7 regulation, to which no response is required. To the extent that Paragraph 97
8 purports to contain factual assertions requiring a response, Defendants deny the
9 allegations contained therein.

10 98. Answering Paragraph 98, Defendants admit that the July 2009
11 EMC agreement has not been filed with the SEC. Except as expressly admitted,
12 Defendants deny the allegations of this paragraph.

13 99. Answering Paragraph 99, Defendants aver that this paragraph
14 sets forth Plaintiff's characterization of the SEC's views as well as legal
15 conclusions and does not purport to require a response from Defendants. To the
16 extent that Paragraph 99 purports to contain factual assertions requiring a response,
17 Defendants deny the allegations contained therein. Further answering Paragraph
18 99, Defendants aver that STEC received from the SEC a letter dated August 28,
19 2009, which letter became publicly available on or after December 4, 2009, and
20 speaks for itself. Defendants deny the remaining allegations of Paragraph 99.
21 Except as expressly admitted, Defendants deny the allegations of this paragraph.

22 100. Answering Paragraph 100, Defendants aver that STEC received
23 from the SEC a letter dated August 28, 2009, which letter became publicly
24 available on or after December 4, 2009, and speaks for itself. Defendants deny the
25 remaining allegations of Paragraph 100. Except as expressly admitted, Defendants
26 deny the allegations of this paragraph.

27 101. Answering Paragraph 101, Defendants aver that STEC
28 submitted to the SEC a letter dated September 10, 2009 and signed by Raymond D.

1 Cook, which letter became publicly available on or after December 4, 2009, and
2 speaks for itself. Defendants deny the remaining allegations of Paragraph 101.
3 Except as expressly admitted, Defendants deny the allegations of this paragraph.

4 102. Answering Paragraph 102, Defendants aver that STEC received
5 from the SEC a letter dated September 30, 2009, which letter became publicly
6 available on or after December 4, 2009, and speaks for itself. Defendants deny the
7 remaining allegations of Paragraph 102. Except as expressly admitted, Defendants
8 deny the allegations of this paragraph.

9 103. Answering Paragraph 103, Defendants aver that STEC
10 submitted to the SEC a letter dated October 13, 2009 and signed by Raymond D.
11 Cook, which letter became publicly available on or after December 4, 2009, and
12 speaks for itself. Defendants deny the remaining allegations of Paragraph 103.
13 Except as expressly admitted, Defendants deny the allegations of this paragraph.

14 104. Answering Paragraph 104, Defendants aver that this paragraph
15 sets forth Plaintiff's legal conclusions and does not purport to require a response
16 from Defendants. To the extent that this paragraph purports to contain factual
17 assertions requiring a response, Defendants deny the allegations contained therein.

18 105. Answering Paragraph 105, Defendants aver that on August 3,
19 2009, STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
20 publicly available and speaks for itself. Defendants deny the remaining allegations
21 of Paragraph 105. Except as expressly admitted, Defendants deny the allegations
22 of this paragraph.

23 106. Answering Paragraph 106, Defendants aver that STEC
24 submitted to the SEC a letter dated September 10, 2009 and signed by Raymond D.
25 Cook, which letter became publicly available on or after December 4, 2009, and
26 speaks for itself. Further answering Paragraph 106, Defendants aver that this
27 paragraph sets forth Plaintiff's legal conclusions and does not purport to require a
28 response from Defendants. To the extent that this paragraph purports to contain

1 factual assertions requiring a response, Defendants deny the allegations contained
2 therein. Defendants deny the remaining allegations of Paragraph 106. Except as
3 expressly admitted, Defendants deny the allegations of this paragraph.

4 107. Answering Paragraph 107, Defendants aver that this paragraph
5 sets forth Plaintiff's legal conclusions and does not purport to require a response
6 from Defendants. To the extent that this paragraph purports to contain factual
7 assertions requiring a response, Defendants deny the allegations contained therein.
8 Further answering Paragraph 107, Defendants aver that the phrase "ordinary course
9 of business" is vague and ambiguous and deny the allegations of this paragraph on
10 that basis.

11 108. Answering Paragraph 108, Defendants aver that this paragraph
12 sets forth Plaintiff's legal conclusions and does not purport to require a response
13 from Defendants. To the extent that Paragraph 108 purports to contain factual
14 assertions requiring a response, Defendants deny the allegations contained therein.
15 Further answering Paragraph 108, Defendants aver that STEC submitted to the
16 SEC a letter dated September 10, 2009 and signed by Raymond D. Cook, which
17 letter became publicly available on or after December 4, 2009, and speaks for
18 itself. Defendants deny the remaining allegations of Paragraph 108. Except as
19 expressly admitted, Defendants deny the allegations of this paragraph.

20 109. Answering Paragraph 109, Defendants aver that this paragraph
21 sets forth Plaintiff's legal conclusions and does not purport to require a response
22 from Defendants. To the extent that Paragraph 109 purports to contain factual
23 assertions requiring a response, Defendants deny the allegations contained therein.

24 110. Answering Paragraph 110, with regard to the first sentence,
25 Defendants aver that this sentence sets forth Plaintiff's characterization of this
26 action as well as legal conclusions and does not purport to require a response from
27 Defendants. To the extent that Paragraph 110 purports to contain factual assertions
28 requiring a response, Defendants deny the allegations contained therein. With

1 regard to the second sentence, Defendants aver that on August 3, 2009, STEC filed
2 with the SEC a Prospectus on Form 424B3, which Prospectus is publicly available
3 and speaks for itself. Except as expressly admitted, Defendants deny the
4 allegations of this paragraph.

5 111. Answering Paragraph 111, Defendants aver that on August 3,
6 2009, STEC filed with the SEC an earnings release on Form 8-K for second
7 quarter 2009, which 8-K is publicly available and speaks for itself. Further
8 answering Paragraph 111, Defendants lack knowledge and information sufficient
9 to form a belief as to the truth of allegations regarding investors' knowledge and
10 deny the allegations on that basis. Defendants deny the remaining allegations of
11 Paragraph 111. Except as expressly admitted, Defendants deny the allegations of
12 this paragraph.

13 112. Answering Paragraph 112, Defendants lack knowledge and
14 information sufficient to form a belief as to the truth of the allegations regarding
15 analysts' understanding and deny the allegations of this paragraph on that basis.

16 113. Answering Paragraph 113, Defendants aver that on August 3,
17 2009, Thomas Weisel Partners published an analyst report regarding STEC, which
18 report is publicly available and speaks for itself. Except as expressly admitted,
19 Defendants deny the allegations of this paragraph.

20 114. Answering Paragraph 114, Defendants aver that on August 4,
21 2009, ThinkEquity LLC published an analyst report regarding STEC, which report
22 is publicly available and speaks for itself. Except as expressly admitted,
23 Defendants deny the allegations of this paragraph.

24 115. Answering Paragraph 115, Defendants aver that on August 4,
25 2009, Capstone Investments published an analyst report regarding STEC, which
26 report is publicly available and speaks for itself. Except as expressly admitted,
27 Defendants deny the allegations of this paragraph.

28

1 116. Answering Paragraph 116, Defendants aver that on August 4,
2 2009, Needham published an analyst report regarding STEC, which report is
3 publicly available and speaks for itself. Except as expressly admitted, Defendants
4 deny the allegations of this paragraph.

5 117. Answering Paragraph 117, with regard to the first and second
6 sentences, Defendants aver that on August 10, 2009, Wedbush Morgan published
7 an analyst report regarding STEC, which report is publicly available and speaks for
8 itself. With regard to the third sentence, Defendants aver that STEC filed with the
9 SEC a Prospectus on Form 424B3, which Prospectus is publicly available and
10 speaks for itself. Defendants deny the remaining allegations of Paragraph 117.
11 Except as expressly admitted, Defendants deny the allegations of this paragraph.

12 118. Answering Paragraph 118, Defendants aver that on August 16,
13 2009, Deutsche Bank published an analyst report regarding STEC, which report is
14 publicly available and speaks for itself. Except as expressly admitted, Defendants
15 deny the allegations of this paragraph.

16 119. Answering Paragraph 119, Defendants aver that on September
17 9, 2009, J.P. Morgan published an analyst report regarding STEC, which report is
18 publicly available and speaks for itself. Except as expressly admitted, Defendants
19 deny the allegations of this paragraph.

20 120. Answering Paragraph 120, Defendants aver that on August 4,
21 2008, STEC hosted a second quarter 2008 conference call and, on August 3, 2009,
22 STEC hosted a second quarter 2009 conference call, the transcripts of which are
23 publicly available and speak for themselves. Defendants further aver that on
24 August 4, 2009, Capstone Investments published an analyst report regarding
25 STEC, which report is publicly available and speaks for itself. Further answering
26 Paragraph 120, Defendants aver that this paragraph sets forth Plaintiff's
27 characterization of this action as well as legal conclusions and does not purport to
28 require a response from Defendants. To the extent that Paragraph 120 purports to

1 contain factual assertions requiring a response, Defendants deny the allegations
2 contained therein. Defendants deny the remaining allegations of Paragraph 120.
3 Except as expressly admitted, Defendants deny the allegations of this paragraph.

4 121. Answering Paragraph 121, Defendants aver that their public
5 statements are publicly available and speak for themselves. Further answering
6 Paragraph 121, Defendants aver that the phrase “dramatically shrank” is vague and
7 ambiguous and deny the allegations of this paragraph on that basis. Furthering
8 answering Paragraph 121, and the first sentence of the footnote, Defendants aver
9 that this paragraph sets forth Plaintiff’s characterization of this action and does not
10 purport to require a response from Defendants. To the extent that Paragraph 121
11 purports to contain factual assertions requiring a response, Defendants deny the
12 allegations contained therein. With regard to the second sentence of the footnote,
13 Defendants aver that STEC disclosed total revenues for ZeusIOPS SSDs during
14 STEC’s quarterly earnings calls, the transcripts of which are publicly available and
15 speak for themselves. Except as expressly admitted, Defendants deny the
16 allegations of this paragraph and the footnote.

17 122. Answering Paragraph 122 and the chart that follows it,
18 Defendants aver that STEC reported total ZeusIOPS revenues for each quarter of
19 2009 in its quarterly earnings release calls, earnings releases, and Form 10-Qs,
20 which are publicly available and speak for themselves. Further answering
21 Paragraph 122 and the chart that follows it, Defendants aver that this paragraph
22 sets forth Plaintiff’s characterization of this action as well as legal conclusions and
23 does not purport to require a response from Defendants. Except as expressly
24 admitted, Defendants deny the allegations of this paragraph and the chart.

25 123. Answering Paragraph 123, Defendants aver that this paragraph
26 sets forth Plaintiff’s characterization of this action as well as legal conclusions and
27 does not purport to require a response from Defendants. To the extent that
28

1 Paragraph 123 purports to contain factual assertions requiring a response,
2 Defendants deny the allegations contained therein.

3 124. Answering Paragraph 124, Defendants deny the allegations of
4 this paragraph, except to the extent that the allegations constitute legal conclusions
5 to which no response is required.

6 125. Answering Paragraph 125, Defendants aver that this paragraph
7 sets forth Plaintiff's characterization of this action as well as legal conclusions and
8 does not purport to require a response from Defendants. To the extent that
9 Paragraph 125 purports to contain factual assertions requiring a response,
10 Defendants deny the allegations contained therein.

11 126. Answering Paragraph 126, Defendants aver that on March 12,
12 2009, STEC hosted a fourth quarter 2008 conference call, the transcript of which is
13 publicly available and speaks for itself. Except as expressly admitted, Defendants
14 deny the allegations of this paragraph.

15 127. Answering Paragraph 127, Defendants admit that on November
16 10, 2008 and March 12, 2009, STEC hosted third quarter and fourth 2008
17 conference calls, the transcripts of which are publicly available and speak for
18 themselves. Defendants deny the remaining allegations of Paragraph 127. Except
19 as expressly admitted, Defendants deny the allegations of this paragraph.

20 128. Answering Paragraph 128, Defendants aver that STEC hosted
21 a third quarter 2008 conference call and that on January 14, 2008, STEC issued a
22 press release announcing its collaboration with EMC. The transcript of this call
23 and this press release are publicly available and speak for themselves. Answering
24 the footnote in Paragraph 128, Defendants lack knowledge regarding any alleged
25 information purportedly provided by Confidential Witness 2 and deny the
26 allegations of this footnote on that basis. Defendants deny the remaining
27 allegations of Paragraph 128 and the footnote. Except as expressly admitted,
28 Defendants deny the allegations of this paragraph and the footnote.

1 129. Answering Paragraph 129, Defendants aver that STEC filed
2 with the SEC a Form 10-K for fiscal year 2008, which 10-K is publicly available
3 and speaks for itself. Defendants deny the remaining allegations of Paragraph 129.
4 Except as expressly admitted, Defendants deny the allegations of this paragraph.

5 130. Answering Paragraph 130, with regard to the first and second
6 sentences, Defendants aver that STEC filed quarterly Forms 10-Q with the SEC
7 and that on February 23, 2010, STEC filed with the SEC a Form 10-K for fiscal
8 year 2009, which filings are publicly available and speak for themselves.

9 Defendants deny the remaining allegations of Paragraph 130. Except as expressly
10 admitted, Defendants deny the allegations of this paragraph.

11 131. Answering Paragraph 131, Defendants aver that on August 4,
12 2008, STEC hosted a second quarter 2008 conference call, the transcript of which
13 is publicly available and speaks for itself. Except as expressly admitted,
14 Defendants deny the allegations of this paragraph.

15 132. Answering Paragraph 132, Defendants deny the allegations of
16 this paragraph, except to the extent that the allegations constitute legal conclusions
17 to which no response is required.

18 133. Answering Paragraph 133, Defendants aver that on May 11,
19 2009, STEC hosted a first quarter 2009 conference call, the transcript of which is
20 publicly available and speaks for itself. Defendants deny the remaining allegations
21 of Paragraph 133. Except as expressly admitted, Defendants deny the allegations
22 of this paragraph.

23 134. Answering Paragraph 134, and the chart that follows it,
24 Defendants admit that the numbers for each category matched the numbers
25 reported in STEC's Forms 10-Q for the first, second, and third quarters of 2009,
26 but deny the characterization of such figures. Defendants deny the remaining
27 allegations of Paragraph 134 and the chart. Except as expressly admitted,
28 Defendants deny the allegations of this paragraph and the chart.

1 135. Answering Paragraph 135, Defendants aver that the allegations
2 of this paragraph are vague and ambiguous and deny the allegations on that basis.
3 Further answering Paragraph 135, Defendants aver that the allegations in this
4 paragraph constitute a misleading and inaccurate oversimplification of complex
5 financial and accounting practices, and deny the allegations on that basis.

6 136. Answering Paragraph 136, Defendants aver that the allegations
7 of this paragraph are vague and ambiguous and deny the allegations on that basis.
8 Further answering Paragraph 136, Defendants aver that the allegations in this
9 paragraph constitute a misleading and inaccurate oversimplification of complex
10 financial and accounting practices, and deny the allegations of this paragraph on
11 that basis.

12 137. Answering Paragraph 137, Defendants aver that the allegations
13 are vague and ambiguous and deny the allegations on that basis. Further
14 answering Paragraph 137, Defendants aver that the allegations in this paragraph
15 constitute a misleading and inaccurate oversimplification of complex financial and
16 accounting practices, and deny the allegations of this paragraph on that basis.

17 138. Answering Paragraph 138, Defendants aver that this paragraph
18 sets forth Plaintiff's characterization of this action and legal conclusions and does
19 not purport to require a response from Defendants. To the extent that Paragraph
20 138 purports to contain factual assertions requiring a response, Defendants deny
21 the allegations contained therein. Defendants further aver that the allegations in
22 this paragraph constitute a misleading and inaccurate oversimplification of
23 complex financial and accounting practices, and deny the allegations of this
24 paragraph on that basis.

25 139. Answering Paragraph 139, Defendants aver that on November
26 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which
27 is publicly available and speaks for itself. Except as expressly admitted,
28 Defendants deny the allegations of this paragraph.

1 140. Answering Paragraph 140, Defendants aver that on November
2 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which
3 is publicly available and speaks for itself. Except as expressly admitted,
4 Defendants deny the allegations of this paragraph.

5 141. Answering Paragraph 141, with regard to the first and second
6 sentences, Defendants aver that on November 3, 2009, STEC hosted a third quarter
7 2009 conference call and filed with the SEC an earnings release on Form 8-K for
8 third quarter 2009. The transcript of this call and the earnings release are publicly
9 available and speak for themselves. Further answering Paragraph 141, with regard
10 to the third and fourth sentences, Defendants aver that these sentences set forth
11 Plaintiff's characterization of this action and do not purport to require a response
12 from Defendants. To the extent that these sentences purport to contain factual
13 assertions requiring a response, Defendants deny the allegations contained therein.
14 Except as expressly admitted, Defendants deny the allegations of this paragraph.

15 142. Answering Paragraph 142, Defendants aver that the allegations
16 are vague and ambiguous as to when the statements were allegedly made and deny
17 the allegations on that basis. To the extent that the allegations refer to STEC's
18 third quarter 2009 conference call, Defendants aver that on November 3, 2009,
19 STEC hosted a third quarter 2009 conference call, the transcript of which is
20 publicly available and speaks for itself. Except as expressly admitted, Defendants
21 deny the allegations of this paragraph.

22 143. Answering Paragraph 143, Defendants incorporate their answer
23 to Paragraph 142.

24 144. Answering Paragraph 144, Defendants incorporate their answer
25 to Paragraph 142.

26 145. Answering Paragraph 145, with regard to the first sentence,
27 Defendants incorporate their answer to Paragraph 142. Further answering
28 Paragraph 145, Defendants aver that this paragraph sets forth Plaintiff's

1 characterization of this action as well as legal conclusions and does not purport to
2 require a response from Defendants. To the extent that this paragraph purports to
3 contain factual assertions requiring a response, Defendants deny the allegations
4 contained therein. Answering the footnote in Paragraph 145, Defendants aver that
5 the allegations are vague and ambiguous as to the source of the alleged statement
6 and deny the allegations on that basis. To the extent that the allegations refer to
7 STEC's third quarter 2008 conference call, Defendants admit that on November
8 10, 2008, STEC hosted a third quarter 2008 conference call, the transcript of which
9 is publicly available and speaks for itself. Defendants deny the remaining
10 allegations of Paragraph 145 and the footnote. Except as expressly admitted,
11 Defendants deny the allegations of this paragraph and the footnote.

12 146. Answering Paragraph 146, Defendants aver that the allegations
13 are vague and ambiguous as to the source of the alleged statements and deny the
14 allegations on that basis. To the extent that the allegations refer to STEC's third
15 quarter 2009 conference call, Defendants aver that on November 3, 2009, STEC
16 hosted a third quarter 2009 conference call, the transcript of which is publicly
17 available and speaks for itself. Except as expressly admitted, Defendants deny the
18 allegations of this paragraph.

19 147. Answering Paragraph 147, Defendants aver that this paragraph
20 sets forth Plaintiff's characterization of this action as well as legal conclusions and
21 does not purport to require a response from Defendants. To the extent that this
22 paragraph purports to contain factual assertions requiring a response, Defendants
23 deny the allegations contained therein. Further answering Paragraph 147,
24 Defendants lack knowledge and information sufficient to form a belief as to the
25 truth of allegations regarding investors' knowledge contained therein and deny the
26 allegations on that basis.

27 148. Answering Paragraph 148, Defendants aver that on November
28 3, 2009, Oppenheimer published an analyst report regarding STEC, which report is

1 publicly available and speaks for itself. Except as expressly admitted, Defendants
2 deny the allegations of this paragraph.

3 149. Answering Paragraph 149, Defendants aver that on November
4 4, 2009, Wedbush published an analyst report regarding STEC, which report is
5 publicly available and speaks for itself. Except as expressly admitted, Defendants
6 deny the allegations of this paragraph.

7 150. Answering Paragraph 150, Defendants aver that on November
8 4, 2009, B. Riley published an analyst report regarding STEC, which report is
9 publicly available and speaks for itself. Except as expressly admitted, Defendants
10 deny the allegations of this paragraph.

11 151. Answering Paragraph 151, Defendants aver that on November
12 18, 2009, J.P. Morgan published an analyst report regarding STEC, which report is
13 publicly available and speaks for itself. Except as expressly admitted, Defendants
14 deny the allegations of this paragraph.

15 152. Answering Paragraph 152, Defendants aver that on February
16 23, 2010, STEC hosted a year-end conference call, the transcript of which is
17 publicly available and speaks for itself. Defendants deny the remaining allegations
18 of Paragraph 152. Except as expressly admitted, Defendants deny the allegations
19 of this paragraph.

20 153. Answering Paragraph 153, Defendants aver that on February
21 23, 2010, STEC hosted a fourth quarter 2009 and year-end conference call, the
22 transcript of which is publicly available and speaks for itself. Further answering
23 Paragraph 153, Defendants aver that this paragraph sets forth Plaintiff's
24 characterization of this action as well as legal conclusions and does not purport to
25 require a response from Defendants. To the extent that this paragraph purports to
26 contain factual assertions requiring a response, Defendants deny the allegations
27 contained therein. Except as expressly admitted, Defendants deny the allegations
28 of this paragraph.

1 154. Answering Paragraph 154, Defendants aver that on February
2 23, 2010, STEC hosted a fourth quarter 2009 and year-end conference call, the
3 transcript of which is publicly available and speaks for itself. Defendants deny the
4 remaining allegations of Paragraph 154. Except as expressly admitted, Defendants
5 deny the allegations of this paragraph.

6 155. Answering Paragraph 155, Defendants aver that this paragraph
7 sets forth Plaintiff's characterization of this action as well as legal conclusions and
8 does not purport to require a response from Defendants. To the extent that this
9 paragraph purports to contain factual assertions requiring a response, Defendants
10 deny the allegations contained therein. Further answering Paragraph 155,
11 Defendants lack knowledge and information sufficient to form a belief as to the
12 truth of allegations regarding investors' knowledge contained therein and deny the
13 allegations on that basis.

14 156. Answering Paragraph 156, Defendants aver that on February
15 24, 2010, Needham published an analyst report regarding STEC, which report is
16 publicly available and speaks for itself. Further answering Paragraph 156,
17 Defendants lack knowledge and information sufficient to form a belief as to the
18 truth of allegations regarding investors' and analysts' knowledge and expectations
19 contained therein and deny the allegations on that basis. Except as expressly
20 admitted, Defendants deny the allegations of this paragraph.

21 157. Answering Paragraph 157, Defendants aver that on February
22 24, 2010, J.P. Morgan published an analyst report regarding STEC, which report is
23 publicly available and speaks for itself. Further answering Paragraph 157,
24 Defendants lack knowledge and information sufficient to form a belief as to the
25 truth of allegations regarding investors' and analysts' knowledge and expectations
26 contained therein and deny the allegations on that basis. Defendants deny the
27 remaining allegations of Paragraph 157. Except as expressly admitted, Defendants
28 deny the allegations of this paragraph.

1 158. Answering Paragraph 158, Defendants aver that on February
2 23, 2010, STEC filed with the SEC a Form 10-K for fiscal year 2009, which 10-K
3 is publicly available and speaks for itself. Defendants deny the remaining
4 allegations of Paragraph 158. Except as expressly admitted, Defendants deny the
5 allegations of this paragraph.

6 159. Answering Paragraph 159, Defendants aver that STEC has filed
7 with the SEC quarterly reports on Form 10-Q, which 10-Qs are publicly available
8 and speak for themselves. Defendants further aver that this paragraph sets forth
9 Plaintiff's characterization of this action and does not purport to require a response
10 from Defendants. To the extent that this paragraph purports to contain factual
11 assertions requiring a response, Defendants deny the allegations contained therein.
12 Except as expressly admitted, Defendants deny the allegations of this paragraph.

13 160. Answering Paragraph 160, Defendants aver that on May 11,
14 2009, STEC hosted a first quarter 2009 conference call, the transcript of which is
15 publicly available and speaks for itself. Defendants deny the remaining allegations
16 of Paragraph 160. Except as expressly admitted, Defendants deny the allegations
17 of this paragraph.

18 161. Answering Paragraph 161, Defendants aver that on August 3,
19 2009, STEC filed an earnings release with the SEC on Form 8-K for second
20 quarter 2009, which 8-K is publicly available and speaks for itself. Defendants
21 deny the remaining allegations of Paragraph 161. Except as expressly admitted,
22 Defendants deny the allegations of this paragraph.

23 162. Answering Paragraph 162, Defendants aver that on August 3,
24 2009, STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
25 publicly available and speaks for itself. Except as expressly admitted, Defendants
26 deny the allegations of this paragraph.

27 163. Answering Paragraph 163, Defendants deny the allegations
28 contained therein.

1 164. Answering Paragraph 164, Defendants deny the allegations
2 contained therein.

3 165. Answering Paragraph 165, Defendants aver that on August 3,
4 2009 STEC hosted a second quarter 2009 conference call, the transcript of which is
5 publicly available and speaks for itself. Defendants deny the remaining allegations
6 of Paragraph 165. Except as expressly admitted, Defendants deny the allegations
7 of this paragraph.

8 166. Answering Paragraph 166, Defendants aver that on November
9 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which
10 is publicly available and speaks for itself. Defendants deny the remaining
11 allegations of Paragraph 166. Except as expressly admitted, Defendants deny the
12 allegations of this paragraph.

13 167. Answering Paragraph 167, Defendants aver that the phrases
14 “intimate relationship” and “standard feature” are vague and ambiguous and deny
15 the allegations of this paragraph on that basis. Defendants deny the remaining
16 allegations of Paragraph 167. Except as expressly admitted, Defendants deny the
17 allegations of this paragraph.

18 168. Answering Paragraph 168, Defendants aver that on September
19 9, 2009, J.P. Morgan published an analyst report regarding STEC, which report is
20 publicly available and speaks for itself. Further answering Paragraph 168,
21 Defendants aver that this paragraph sets forth Plaintiff’s characterization of this
22 action as well as legal conclusions and does not purport to require a response from
23 Defendants. To the extent that this paragraph purports to contain factual assertions
24 requiring a response, Defendants deny the allegations contained therein. Except as
25 expressly admitted, Defendants deny the allegations of this paragraph.

26 169. Answering Paragraph 169, Defendants aver that STEC
27 submitted to the SEC a letter dated September 10, 2009 and signed by Raymond D.
28 Cook, which letter became publicly available on or after December 4, 2009, and

1 speaks for itself. Defendants deny the remaining allegations of Paragraph 169.
2 Except as expressly admitted, Defendants deny the allegations of this paragraph.

3 170. Answering Paragraph 170, Defendants admit that on November
4 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which
5 is publicly available and speaks for itself. Defendants deny the remaining
6 allegations of Paragraph 170. Except as expressly admitted, Defendants deny the
7 allegations of this paragraph.

8 171. Answering Paragraph 171 and the footnote that follows it,
9 Defendants aver that on November 3, 2009, STEC hosted a third quarter 2009
10 conference call, the transcript of which is publicly available and speaks for itself.
11 Except as expressly admitted, Defendants deny the allegations of this paragraph
12 and the footnote.

13 172. Answering Paragraph 172, Defendants aver that on May 11,
14 2009, STEC hosted a first quarter 2009 conference call, the transcript of which is
15 publicly available and speaks for itself. Defendants deny the remaining allegations
16 of Paragraph 172. Except as expressly admitted, Defendants deny the allegations
17 of this paragraph.

18 173. Answering Paragraph 173, Defendants incorporate their answer
19 to Paragraph 172.

20 174. Answering Paragraph 174, Defendants incorporate their answer
21 to Paragraph 172.

22 175. Answering Paragraph 175, Defendants incorporate their answer
23 to Paragraph 172.

24 176. Answering Paragraph 176, Defendants aver that this paragraph
25 sets forth Plaintiff's legal conclusions and does not purport to require a response
26 from Defendants. To the extent that this sentence purports to contain factual
27 allegations requiring a response, Defendants deny the allegations of this paragraph.
28 Further answering Paragraph 176, Defendants lack knowledge or information

1 sufficient to form a belief as to the truth of allegations regarding investors'
2 conclusions and deny the allegations on that basis. With regard to the second and
3 third sentences, Defendants aver that on May 12, 2009, Oppenheimer and
4 Capstone Investments published analyst reports regarding STEC, which reports are
5 publicly available and speak for themselves. Defendants deny the remaining
6 allegations of Paragraph 176. Except as expressly admitted, Defendants deny the
7 allegations of this paragraph.

8 177. Answering Paragraph 177, Defendants lack knowledge
9 regarding any alleged information purportedly provided by confidential witnesses
10 and deny the allegations of this paragraph on that basis. Defendants deny the
11 remaining allegations of Paragraph 177.

12 178. Answering Paragraph 178, Defendants lack knowledge
13 regarding any alleged information purportedly provided by Confidential Witness 2
14 and deny the allegations on that basis. Defendants deny the remaining allegations
15 of Paragraph 178.

16 179. Answering Paragraph 179, Defendants aver that this paragraph
17 sets forth Plaintiff's characterization of this action as well as legal conclusions and
18 does not purport to require a response from Defendants. To the extent that this
19 paragraph purports to contain factual assertions requiring a response, Defendants
20 deny the allegations contained therein.

21 180. Answering Paragraph 180, Defendants deny the allegations
22 contained therein.

23 181. Answering Paragraph 181, Defendants aver that STEC hosted a
24 second quarter 2009 conference call, the transcript of which is publicly available
25 and speaks for itself. Defendants deny the remaining allegations of Paragraph 181.
26 Except as expressly admitted, Defendants deny the allegations of this paragraph.

27 182. Answering Paragraph 182, Defendants aver that STEC hosted a
28 third quarter 2009 financial earnings call, the transcript of which is publicly

1 available and speaks for itself. Defendants deny the remaining allegations of
2 Paragraph 182. Except as expressly admitted, Defendants deny the allegations of
3 this paragraph.

4 183. Answering Paragraph 183, Defendants deny the allegations
5 contained therein.

6 184. Answering Paragraph 184, with regard to the first and second
7 sentences, Defendants aver that STEC filed with the SEC quarterly reports on
8 Form 10-Q during the Class Period, which 10-Qs are publicly available and speak
9 for themselves. With regard to the third sentence, Defendants aver that STEC filed
10 with the SEC earnings releases on Form 8-K for the first three quarters of 2009,
11 which filings are publicly available and speak for themselves. Defendants deny the
12 remaining allegations of Paragraph 184. Except as expressly admitted, Defendants
13 deny the allegations of this paragraph.

14 185. Answering Paragraph 185, with regard to the first and second
15 sentences, Defendants aver that on May 11, 2009, STEC filed with the SEC a
16 quarterly report on Form 10-Q and an earnings release on Form 8-K, which filings
17 are publicly available and speak for themselves. With regard to the third sentence,
18 Defendants aver that the prices of STEC stock over time are publicly available and
19 speak for themselves. Defendants deny the remaining allegations of Paragraph
20 185. Except as expressly admitted, Defendants deny the allegations of this
21 paragraph.

22 186. Answering Paragraph 186, Defendants aver that this paragraph
23 sets forth Plaintiff's characterization of this action as well as legal conclusions and
24 does not purport to require a response from Defendants. To the extent that this
25 paragraph purports to contain factual assertions requiring a response, Defendants
26 deny the allegations contained therein. Further answering the first sentence,
27 Defendants lack knowledge or information sufficient to form a belief as to the truth
28 of allegations regarding investors' expectations and further deny allegations of this

1 sentence on that basis. With regard to the second sentence, Defendants aver that
2 on June 10, 2009, B. Riley published an analyst report regarding STEC, which
3 report is publicly available and speaks for itself. Defendants deny the remaining
4 allegations of Paragraph 186. Except as expressly admitted, Defendants deny the
5 allegations of this paragraph.

6 187. Answering Paragraph 187, with regard to the first sentence,
7 Defendants aver that on June 16, 2009, STEC issued a press release that is publicly
8 available and speaks for itself. With regard to the second sentence, Defendants
9 aver that on November 2, 2009, Capstone Investments published an analyst report
10 regarding STEC, which report is publicly available and speaks for itself.
11 Defendants deny the remaining allegations of Paragraph 187. Except as expressly
12 admitted, Defendants deny the allegations of this paragraph.

13 188. Answering Paragraph 188, Defendants aver that the allegations
14 are vague and ambiguous and deny the allegations on that basis. Further
15 answering Paragraph 188, Defendants aver that on June 16, 2009, STEC issued a
16 press release that is publicly available and speaks for itself. Further answering
17 Paragraph 188, Defendants aver that on August 3, 2009, STEC reported revenue
18 results for the second quarter 2009 in a Form 10-Q filed with the SEC, which Form
19 10-Q is publicly available and speaks for itself. Defendants deny the remaining
20 allegations of Paragraph 188. Except as expressly admitted, Defendants deny the
21 allegations of this paragraph.

22 189. Answering Paragraph 189, Defendants deny the allegations of
23 this paragraph. With regard to the second sentence, Defendants lack knowledge
24 regarding any alleged information purportedly provided by confidential witnesses
25 and deny the allegations of this paragraph on that basis.

26 190. Answering Paragraph 190, Defendants lack knowledge
27 regarding any alleged information purportedly provided by confidential witnesses
28 and deny the allegations of this paragraph on that basis. Further answering

1 Paragraph 190, Defendants aver that the phrase "methodical generation of
2 unearned income" is vague and ambiguous and deny the allegations on that basis.
3 Answering the footnote in Paragraph 190, with regard to the first sentence,
4 Defendants aver that the SEC's Staff Accounting Bulleting No. 104 is publicly
5 available and speaks for itself. With regard to the second sentence of the footnote,
6 Defendants aver that SEC Rule 4-01(a) of SEC Regulation S-X is publicly
7 available and speaks for itself. With regard to the third sentence of the footnote,
8 Defendants aver that STEC filed with the SEC quarterly reports on Form 10-Q
9 during 2009, which 10-Qs are publicly available and speak for themselves.
10 Defendants deny the remaining allegations of Paragraph 190 and the footnote.
11 Except as expressly admitted, Defendants deny the allegations of this paragraph
12 and the footnote.

13 191. Answering Paragraph 191, Defendants deny the allegations
14 contained therein. Further answering Paragraph 191, Defendants lack knowledge
15 regarding any alleged information purportedly provided by Confidential Witness 3,
16 and deny the allegations on this basis.

17 192. Answering Paragraph 192, Defendants deny the allegations
18 contained therein. Further answering Paragraph 192, Defendants lack knowledge
19 regarding any alleged information purportedly provided by Confidential Witness 3,
20 and deny the allegations on this basis.

21 193. Answering Paragraph 193, Defendants deny the allegations
22 contained therein. Further answering Paragraph 193, Defendants lack knowledge
23 regarding any alleged information purportedly provided by Confidential Witness 3,
24 and deny the allegations on this basis.

25 194. Answering Paragraph 194, Defendants aver that STEC filed
26 with the SEC a Form 10-K for fiscal year 2009, which 10-K is publicly available
27 and speaks for itself. Except as expressly admitted, Defendants deny the
28 allegations of this paragraph.

1 195. Answering Paragraph 195, Defendants deny the allegations
2 contained therein. Further answering Paragraph 195, Defendants lack knowledge
3 regarding any alleged information purportedly provided by Confidential Witness 4,
4 and deny the allegations on this basis.

5 196. Answering Paragraph 196, Defendants deny the allegations
6 contained therein. Further answering Paragraph 196, Defendants lack knowledge
7 regarding any alleged information purportedly provided by Confidential Witness 3,
8 and deny the allegations on this basis.

9 197. Answering Paragraph 197, Defendants deny the allegations
10 contained therein. Further answering Paragraph 197, Defendants lack knowledge
11 regarding any alleged information purportedly provided by Confidential Witness 3,
12 and deny the allegations on this basis.

13 198. Answering Paragraph 198, Defendants deny the allegations
14 contained therein. Further answering Paragraph 198, Defendants lack knowledge
15 regarding any alleged information purportedly provided by Confidential Witness 3,
16 and deny the allegations on this basis.

17 199. Answering Paragraph 199, with regard to the first sentence,
18 Defendants aver that STEC reported its quarterly revenues in quarterly reports filed
19 with the SEC on Form 10-Q during 2009 and for the first quarter of 2010, which
20 10-Qs are publicly available and speak for themselves. Defendants deny the
21 remaining allegations of Paragraph 199. Except as expressly admitted, Defendants
22 deny the allegations of this paragraph.

23 200. Answering Paragraph 200, Defendants aver that STEC filed
24 with the SEC an earnings release on Form 8-K for second quarter 2009, which 8-K
25 is publicly available and speaks for itself. Further answering Paragraph 200,
26 Defendants lack knowledge regarding any alleged information purportedly
27 provided by any confidential witnesses, and deny the allegations on this basis.
28

1 Defendants deny the remaining allegations of Paragraph 200. Except as expressly
2 admitted, Defendants deny the allegations of this paragraph.

3 201. Answering Paragraph 201, Defendants aver that on August 3,
4 2009, STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
5 publicly available and speaks for itself. Defendants further aver that on May 6,
6 2010, STEC filed with the SEC an earnings release on Form 8-K for the first
7 quarter 2010, which 8-K is publicly available and speaks for itself. Defendants
8 deny the remaining allegations of Paragraph 201. Except as expressly admitted,
9 Defendants deny the allegations of this paragraph.

10 202. Answering Paragraph 202, Defendants aver that this paragraph
11 sets forth Plaintiff's characterization of this action and does not purport to require a
12 response from Defendants. To the extent that this paragraph purports to contain
13 factual assertions requiring a response, Defendants deny the allegations contained
14 therein.

15 203. Answering Paragraph 203, Defendants aver that this paragraph
16 sets forth Plaintiff's characterization of this action and does not purport to require a
17 response from Defendants. To the extent that this paragraph purports to contain
18 factual assertions requiring a response, Defendants deny the allegations contained
19 therein. Further answering Paragraph 203, Defendants lack knowledge regarding
20 any alleged information purportedly provided by any confidential witnesses, and
21 deny the allegations on this basis. Defendants deny the remaining allegations of
22 Paragraph 203.

23 204. Answering Paragraph 204, Defendants aver that on June 16,
24 2009, STEC issued a press release that is publicly available and speaks for itself.
25 Defendants deny the remaining allegations of Paragraph 204. Except as expressly
26 admitted, Defendants deny the allegations of this paragraph.

27 205. Answering Paragraph 205, with regard to the first sentence,
28 Defendants aver that STEC's stock prices are publicly available and speak for

1 themselves. With regard to the second sentence, Defendants aver that this sentence
2 sets forth Plaintiff's characterization of this action as well as legal conclusions and
3 does not purport to require a response from Defendants. To the extent that this
4 sentence purports to contain factual assertions requiring a response, Defendants
5 deny the allegations contained therein. Defendants deny the remaining allegations
6 of Paragraph 205. Except as expressly admitted, Defendants deny the allegations
7 of this paragraph.

8 206. Answering Paragraph 206, with regard to the first sentence,
9 Defendants aver that prices of STEC stock over time are publicly available and
10 speak for themselves. With regard to the second sentence, Defendants admit that
11 prior to the Secondary Offering, Manouch Moshayedi and Mark Moshayedi
12 collectively owned approximately 35.4% of STEC's common stock, and that
13 following the Secondary Offering, they collectively retained ownership of
14 approximately 17.3% of STEC's common stock. Further answering the second
15 sentence, Defendants admit that the proceeds, before expenses, from the Secondary
16 Offering totaled \$267.8 million. Answering the footnote in Paragraph 206, with
17 regard to first sentence, Defendants aver that on August 13, 2009, Manouch
18 Moshayedi and Mark Moshayedi filed with the SEC Forms 4 that are publicly
19 available and speak for themselves. With regard to the second sentence of the
20 footnote, Defendants admit that STEC announced the Secondary Offering on
21 August 3, 2009, and aver that the delivery of the shares occurred on August 11,
22 2009. Defendants deny the remaining allegations of Paragraph 206 and the
23 footnote. Except as expressly admitted, Defendants deny the allegations of this
24 paragraph and the footnote.

25 207. Answering Paragraph 207, Defendants admit that Mark
26 Moshayedi sold 466,292 of his STEC shares in June 2008 and 400,000 additional
27 shares in March 2009 for proceeds of approximately \$6.5 million and \$3 million,
28 respectively, and that Manouch Moshayedi sold 400,000 of his STEC shares in

1 March 2009 for proceeds of approximately \$3 million. Further answering
2 Paragraph 207, Defendants aver that these sales transactions are publicly available
3 and Defendants deny all inconsistent allegations. Defendants deny the remaining
4 allegations of Paragraph 207. Except as expressly admitted, Defendants deny the
5 allegations of this paragraph.

6 208. Answering Paragraph 208, Defendants aver that on May 29,
7 2009, and June 16, 2009, STEC issued press releases that are publicly available
8 and speak for themselves. Answering the footnote in Paragraph 208, with regard
9 to the first sentence, Defendants admit that Mike Moshayedi, Manouch Moshayedi
10 and Mark Moshayedi are brothers and that Mike Moshayedi served as STEC's
11 President until he retired in 2007. Defendants deny the remaining allegations of
12 Paragraph 208 and the footnote. Except as expressly admitted, Defendants deny
13 the allegations of this paragraph and the footnote.

14 209. Answering Paragraph 209, Defendants aver that on August 3,
15 2009, STEC hosted a second quarter 2009 conference call, the transcript of which
16 is publicly available and speaks for itself. Defendants deny the remaining
17 allegations of Paragraph 209. Except as expressly admitted, Defendants deny the
18 allegations of this paragraph.

19 210. Answering Paragraph 210, Defendants aver that on November
20 16, 2009, Seeking Alpha website published commentary regarding STEC, which
21 commentary is publicly available and speaks for itself. Except as expressly
22 admitted, Defendants deny the allegations of this paragraph.

23 211. Answering Paragraph 211, Defendants aver that on November
24 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which
25 is publicly available and speaks for itself. Except as expressly admitted,
26 Defendants deny the allegations of this paragraph.

27 212. Answering Paragraph 212, Defendants aver that on February
28 24, 2010, Barron's published an article regarding STEC, which article is publicly

1 available and speaks for itself. Further answering Paragraph 212, Defendants
2 admit that the prices of STEC stock are publicly available and speak for
3 themselves. Except as expressly admitted, Defendants deny the allegations of this
4 paragraph.

5 213. Answering Paragraph 213, Defendants aver that on February
6 23, 2010, STEC filed with the SEC a 2009 Form 10-K, and on November 2, 2010,
7 STEC filed with the SEC a Form 10-Q, which filings are publicly available and
8 speak for themselves. Defendants deny the remaining allegations of Paragraph
9 213. Except as expressly admitted, Defendants deny the allegations of this
10 paragraph.

11 214. Answering Paragraph 214, Defendants aver that on February
12 26, 2010, STEC filed with the SEC a Form 10-K that is publicly available and
13 speaks for itself. Defendants deny the remaining allegations of Paragraph 214.
14 Except as expressly admitted, Defendants deny the allegations of this paragraph.

15 215. Answering Paragraph 215, Defendants aver that this paragraph
16 sets forth Plaintiff's characterization of this action as well as legal conclusions and
17 does not purport to require a response from Defendants. To the extent that
18 Paragraph 215 purports to contain factual assertions requiring a response,
19 Defendants deny the allegations contained therein.

20 216. Answering Paragraph 216, Defendants aver that this paragraph
21 sets forth Plaintiff's characterization of this action as well as legal conclusions and
22 does not purport to require a response from Defendants. To the extent that
23 Paragraph 216 purports to contain factual assertions requiring a response,
24 Defendants deny the allegations contained therein.

25 217. Answering Paragraph 217, Defendants aver that on August 3,
26 2009, STEC hosted a second quarter 2009 conference call, the transcript of which
27 is publicly available and speaks for itself. Except as expressly admitted,
28 Defendants deny the allegations of this paragraph.

1 218. Answering Paragraph 218, with regard to the first sentence,
2 Defendants aver that the allegations are vague and ambiguous as to time and deny
3 the allegations on that basis. With regard to the second sentence, Defendants aver
4 that on August 3, 2009, STEC filed with the SEC a Prospectus on Form 424B3,
5 which Prospectus is publicly available and speaks for itself. With regard to the
6 third sentence, Defendants aver that on November 3, 2009, STEC hosted a third
7 quarter 2009 conference call, the transcript of which is publicly available and
8 speaks for itself. Defendants deny the remaining allegations of Paragraph 218.
9 Except as expressly admitted, Defendants deny the allegations of this paragraph.

10 219. Answering Paragraph 219, Defendants aver that on August 3,
11 2009, STEC hosted a second quarter 2009 conference call, the transcript of which
12 is publicly available and speaks for itself. Further answering Paragraph 219,
13 Defendants aver that the allegations are vague and ambiguous and deny the
14 allegations on that basis. Defendants deny the remaining allegations of Paragraph
15 219. Except as expressly admitted, Defendants deny the allegations of this
16 paragraph.

17 220. Answering Paragraph 220, Defendants aver that on August 4,
18 2009, Enterprise Storage Forum published an article by Paul Shread regarding
19 STEC, which article is publicly available and speaks for itself. Defendants deny
20 the remaining allegations of Paragraph 220. Except as expressly admitted,
21 Defendants deny the allegations of this paragraph.

22 221. Answering Paragraph 221, Defendants admit that Manouch
23 Moshayedi and Mark Moshayedi sold approximately 4.1 million and 4.9 million
24 shares of STEC stock, respectively, in the Secondary Offering in August 2009 and
25 that the proceeds, before expenses, from such transactions totaled \$267.8 million.
26 Defendants deny the remaining allegations of this paragraph. Except as expressly
27 admitted, Defendants deny the allegations of this paragraph.

28

1 222. Answering Paragraph 222, Defendants admit that STEC hired
2 Raymond D. Cook in November 2008 and that Raymond D. Cook was not a
3 director of the Company at the time of the Secondary Offering. Further answering
4 Paragraph 222 and the footnote that follows it, Defendants admit that Raymond D.
5 Cook did not own STEC stock at the time of the Secondary Offering. Defendants
6 deny the remaining allegations of Paragraph 222. Except as expressly admitted,
7 Defendants deny the allegations of this paragraph.

8 223. Answering Paragraph 223, Defendants aver that this paragraph
9 sets forth Plaintiff's characterization of this action as well as legal conclusions and
10 does not purport to require a response from Defendants. To the extent that
11 Paragraph 223 purports to contain factual assertions requiring a response,
12 Defendants deny the allegations contained therein.

13 224. Answering Paragraph 224, Defendants aver that on June 16,
14 2009, STEC issued a press release that is publicly available and speaks for itself.
15 Except as expressly admitted, Defendants deny the allegations of this paragraph.

16 225. Answering Paragraph 225, Defendants aver that on July 16,
17 2009, STEC issued a press that is publicly available and speaks for itself. Except
18 as expressly admitted, Defendants deny the allegations of this paragraph.

19 226. Answering Paragraph 226, Defendants aver that on August 3,
20 2009, STEC issued an earnings release for second quarter 2009, which earnings
21 release is publicly available and speaks for itself. Except as expressly admitted,
22 Defendants deny the allegations of this paragraph.

23 227. Answering Paragraph 227, Defendants aver that on August 3,
24 2009, STEC issued an earnings release for second quarter 2009, which earnings
25 release is publicly available and speaks for itself. Defendants deny the remaining
26 allegations of Paragraph 227. Except as expressly admitted, Defendants deny the
27 allegations of this paragraph.

28

1 228. Answering Paragraph 228, Defendants aver that on August 3,
2 2009, STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
3 publicly available and speaks for itself. Defendants deny the remaining allegations
4 of Paragraph 228. Except as expressly admitted, Defendants deny the allegations
5 of this paragraph.

6 229. Answering Paragraph 229, Defendants deny the allegations of
7 this paragraph and incorporate their answer to Paragraph 228.

8 230. Answering Paragraph 230, Defendants aver on August 3, 2009,
9 STEC filed with the SEC a Form 10-Q for second quarter, which 10-Q is publicly
10 available and speaks for itself. Defendants deny the remaining allegations of
11 Paragraph 230. Except as expressly admitted, Defendants deny the allegations of
12 this paragraph.

13 231. Answering Paragraph 231, Defendants aver that STEC
14 submitted a letter to the SEC, dated September 10, 2009 and signed by Raymond
15 D. Cook, which letter became publicly available on or after December 4, 2009, and
16 speaks for itself. Except as expressly admitted, Defendants deny the allegations of
17 this paragraph.

18 232. Answering Paragraph 232, Defendants aver that the prices of
19 STEC stock over time are publicly available and speak for themselves. Defendants
20 deny the remaining allegations of Paragraph 232. Except as expressly admitted,
21 Defendants deny the allegations of this paragraph.

22 233. Answering Paragraph 233, Defendants aver that this paragraph
23 sets forth Plaintiff's characterization of this action as well as legal conclusions and
24 does not purport to require a response from Defendants. To the extent that
25 Paragraph 233 purports to contain factual assertions requiring a response,
26 Defendants deny the allegations contained therein.

27 234. Answering Paragraph 234, Defendants aver that on November
28 4, 2009, Wedbush published an analyst report regarding STEC, which report is

1 publicly available and speaks for itself. Defendants deny the remaining allegations
2 of Paragraph 234. Except as expressly admitted, Defendants deny the allegations
3 of this paragraph.

4 235. Answering Paragraph 235, Defendants aver that on November
5 3, 2009, Oppenheimer published an analyst report regarding STEC, which report is
6 publicly available and speaks for itself. Defendants deny the remaining allegations
7 of Paragraph 235. Except as expressly admitted, Defendants deny the allegations
8 of this paragraph.

9 236. Answering Paragraph 236, Defendants aver that on November
10 4, 2009, Barron's published an article regarding STEC, which article is publicly
11 available and speaks for itself. Defendants deny the remaining allegations of
12 Paragraph 236. Except as expressly admitted, Defendants deny the allegations of
13 this paragraph.

14 237. Answering Paragraph 237, Defendants aver that on November
15 16, 2009, Seeking Alpha website published commentary regarding STEC, which
16 commentary is publicly available and speaks for itself. Defendants deny the
17 remaining allegations of Paragraph 237. Except as expressly admitted, Defendants
18 deny the allegations of this paragraph.

19 238. Answering Paragraph 238, Defendants aver that this paragraph
20 sets forth Plaintiff's characterization of this action as well as legal conclusions and
21 does not purport to require a response from Defendants. To the extent that
22 Paragraph 238 purports to contain factual assertions requiring a response,
23 Defendants deny the allegations contained therein.

24 239. Answering Paragraph 239, Defendants aver that on July 16,
25 2009, ABC News/ Money published an article regarding STEC, which article is
26 publicly available and speaks for itself. With regard to the second sentence,
27 Defendants aver that this sentence sets forth Plaintiff's characterization of this
28 action as well as legal conclusions and does not purport to require a response from

1 Defendants. To the extent this sentence purports to contain factual assertions
2 requiring a response, Defendants deny the allegations contained therein.
3 Defendants deny the remaining allegations of Paragraph 239. Except as expressly
4 admitted, Defendants deny the allegations of this paragraph.

5 240. Answering Paragraph 240, Defendants aver that on November
6 3, 2009, Oppenheimer published an analyst report regarding STEC, which report is
7 publicly available and speaks for itself. Defendants deny the remaining allegations
8 of Paragraph 240. Except as expressly admitted, Defendants deny the allegations
9 of this paragraph.

10 241. Answering Paragraph 241, Defendants aver that on September
11 9, 2009, J.P. Morgan published an analyst report regarding STEC, which report is
12 publicly available and speaks for itself. Defendants deny the remaining allegations
13 of Paragraph 241. Except as expressly admitted, Defendants deny the allegations
14 of this paragraph.

15 242. Answering Paragraph 242, Defendants aver that on November
16 4, 2009, Barron's published an article regarding STEC, which article is publicly
17 available and speaks for itself. Defendants deny the remaining allegations of
18 Paragraph 242. Except as expressly admitted, Defendants deny the allegations of
19 this paragraph.

20 243. Answering Paragraph 243, Defendants aver that on November
21 4, 2009, Wedbush published an analyst report regarding STEC, which report is
22 publicly available and speaks for itself. Defendants deny the remaining allegations
23 of Paragraph 243. Except as expressly admitted, Defendants deny the allegations
24 of this paragraph.

25 244. Answering Paragraph 244, Defendants aver that this paragraph
26 sets forth Plaintiff's characterization of this action as well as legal conclusions and
27 does not purport to require a response from Defendants. To the extent that
28

1 Paragraph 244 purports to contain factual assertions requiring a response,
2 Defendants deny the allegations contained therein.

3 245. Answering Paragraph 245, Defendants aver that on November
4 4, 2009, B. Riley published an analyst report regarding STEC, which report is
5 publicly available and speaks for itself. Defendants deny the remaining allegations
6 of Paragraph 245. Except as expressly admitted, Defendants deny the allegations
7 of this paragraph.

8 246. Answering Paragraph 246, Defendants aver that on November
9 4, 2009, J.P. Morgan published an analyst report regarding STEC, which report is
10 publicly available and speaks for itself. Defendants deny the remaining allegations
11 of Paragraph 246. Except as expressly admitted, Defendants deny the allegations
12 of this paragraph.

13 247. Answering Paragraph 247, Defendants aver that on November
14 4, 2009, Barron's published an article regarding STEC, which article is publicly
15 available and speaks for itself. Defendants deny the remaining allegations of
16 Paragraph 247. Except as expressly admitted, Defendants deny the allegations of
17 this paragraph.

18 248. Answering Paragraph 248, Defendants aver that this paragraph
19 sets forth Plaintiff's characterization of this action as well as legal conclusions and
20 does not purport to require a response from Defendants. To the extent this
21 paragraph purports to contain factual assertions requiring a response, Defendants
22 deny the allegations contained therein. With regard to the second and third
23 sentences, Defendants aver that on November 3, 2009, STEC hosted a third quarter
24 2009 earnings release conference call, the transcript of which is publicly available
25 and speaks for itself. Defendants deny the remaining allegations of Paragraph 248.
26 Except as expressly admitted, Defendants deny the allegations of this paragraph.

27 249. Answering Paragraph 249, Defendants aver that on November
28 4, 2009, ThinkEquity LLC published an analyst report regarding STEC, which

1 report is publicly available and speaks for itself. Defendants deny the remaining
2 allegations of Paragraph 249. Except as expressly admitted, Defendants deny the
3 allegations of this paragraph.

4 250. Answering Paragraph 250, Defendants aver that on November
5 4, 2009, B. Riley published an analyst report regarding STEC, which report is
6 publicly available and speaks for itself. Defendants deny the remaining allegations
7 of Paragraph 250. Except as expressly admitted, Defendants deny the allegations
8 of this paragraph.

9 251. Answering Paragraph 251, Defendants aver that the prices of
10 STEC stock over time are publicly available and speak for themselves. Further
11 answering Paragraph 251, Defendants aver that this paragraph sets forth Plaintiff's
12 characterization of this action as well as legal conclusions and does not purport to
13 require a response from Defendants. To the extent that Paragraph 251 purports to
14 contain factual assertions requiring a response, Defendants deny the allegations
15 contained therein. Except as expressly admitted, Defendants deny the allegations
16 of this paragraph.

17 252. Answering Paragraph 252, Defendants aver that this paragraph
18 sets forth Plaintiff's characterization of this action as well as legal conclusions and
19 does not purport to require a response from Defendants. To the extent that
20 Paragraph 252 purports to contain factual assertions requiring a response,
21 Defendants deny the allegations contained therein. Further answering Paragraph
22 252, Defendants lack knowledge or information sufficient to form a belief as to
23 allegations regarding analysts' beliefs and further deny the allegations on that
24 basis. Defendants deny the remaining allegations of Paragraph 252.

25 253. Answering Paragraph 253, Defendants aver that on February
26 24, 2010, Oppenheimer published an analyst report regarding STEC, which report
27 is publicly available and speaks for itself. Defendants deny the remaining
28

1 allegations of Paragraph 253. Except as expressly admitted, Defendants deny the
2 allegations of this paragraph.

3 254. Answering Paragraph 254, Defendants aver that on November
4 4, 2009, B. Riley published an analyst report regarding STEC, which report is
5 publicly available and speaks for itself. Defendants deny the remaining allegations
6 of Paragraph 253. Except as expressly admitted, Defendants deny the allegations
7 of this paragraph.

8 255. Answering Paragraph 255, Defendants aver that on February
9 23, 2010, Deutsche Bank published an analyst report regarding STEC, which
10 report is publicly available and speaks for itself. Defendants deny the remaining
11 allegations of Paragraph 255. Except as expressly admitted, Defendants deny the
12 allegations of this paragraph.

13 256. Answering Paragraph 256, Defendants aver that this paragraph
14 sets forth Plaintiff's characterization of this action as well as legal conclusions and
15 does not purport to require a response from Defendants. To the extent that
16 Paragraph 256 purports to contain factual assertions requiring a response,
17 Defendants deny the allegations contained therein. Defendants deny the remaining
18 allegations of Paragraph 256.

19 257. Answering Paragraph 257, with regard to the first sentence,
20 Defendants aver that on February 24, 2010, Needham published an analyst report
21 regarding STEC, which report is publicly available and speaks for itself. With
22 regard to the second sentence, Defendants lack knowledge or information
23 sufficient to form a belief as to the allegations regarding analysts' expectations and
24 further deny the allegations on that basis. Defendants deny the remaining
25 allegations of Paragraph 257. Except as expressly admitted, Defendants deny the
26 allegations of this paragraph.

27 258. Answering Paragraph 258, Defendants aver that on February
28 24, 2010, J.P. Morgan published an analyst report regarding STEC, which report is

1 publicly available and speaks for itself. Further answering Paragraph 258,
2 Defendants lack knowledge or information sufficient to form a belief as to the
3 allegations regarding analysts' knowledge and further deny the allegations on that
4 basis. Defendants deny the remaining allegations of Paragraph 258. Except as
5 expressly admitted, Defendants deny the allegations of this paragraph.

6 259. Answering Paragraph 259, Defendants aver that this paragraph
7 sets forth Plaintiff's characterization of this action as well as legal conclusions and
8 does not purport to require a response from Defendants. To the extent that
9 Paragraph 259 purports to contain factual assertions requiring a response,
10 Defendants deny the allegations contained therein. Defendants deny the remaining
11 allegations of Paragraph 259.

12 260. Answering Paragraph 260, Defendants aver that on February
13 24, 2010, Reuters published a news article regarding STEC, which article is
14 publicly available and speaks for itself. Defendants deny the remaining allegations
15 of Paragraph 260. Except as expressly admitted, Defendants deny the allegations
16 of this paragraph.

17 261. Answering Paragraph 261, Defendants deny the allegations
18 contained therein.

19 262. Answering Paragraph 262, Defendants aver that this paragraph
20 sets forth Plaintiff's characterization of this action as well as legal conclusions and
21 does not purport to require a response from Defendants. To the extent that
22 Paragraph 262 purports to contain factual assertions requiring a response,
23 Defendants deny the allegations contained therein.

24 263. Answering Paragraph 263, Defendants aver that on February
25 23, 2010, Deutsche Bank published an analyst report regarding STEC, which
26 report is publicly available and speaks for itself. Defendants deny the remaining
27 allegations of Paragraph 263. Except as expressly admitted, Defendants deny the
28 allegations of this paragraph.

1 264. Answering Paragraph 264, Defendants aver that on February
2 24, 2010, Needham published an analyst report regarding STEC, which report is
3 publicly available and speaks for itself. Defendants deny the remaining allegations
4 of Paragraph 264. Except as expressly admitted, Defendants deny the allegations
5 of this paragraph.

6 265. Answering Paragraph 265, Defendants aver that this paragraph
7 sets forth Plaintiff's characterization of this action as well as legal conclusions and
8 does not purport to require a response from Defendants. To the extent that this
9 paragraph purports to contain factual assertions requiring a response, Defendants
10 deny the allegations contained therein. Further answering Paragraph 265,
11 Defendants aver that on February 24, 2010, the Associated Press and Barron's each
12 published an article regarding STEC, each of which is publicly available and
13 speaks for itself. Defendants deny the remaining allegations of Paragraph 265.
14 Except as expressly admitted, Defendants deny the allegations of this paragraph.

15 266. Answering Paragraph 266, Defendants aver that this paragraph
16 sets forth Plaintiff's characterization of this action as well as legal conclusions and
17 does not purport to require a response from Defendants. To the extent that this
18 paragraph purports to contain factual assertions requiring a response, Defendants
19 deny the allegations contained therein. Further answering Paragraph 266,
20 Defendants lack knowledge or information sufficient to form a belief as to the
21 allegations regarding analysts' beliefs and further deny the allegations of this
22 paragraph on that basis. Defendants deny the remaining allegations of Paragraph
23 266.

24 267. Answering Paragraph 267, Defendants aver that on February
25 24, 2010, J.P. Morgan published an analyst report regarding STEC, which report is
26 publicly available and speaks for itself. Defendants deny the remaining allegations
27 of Paragraph 267. Except as expressly admitted, Defendants deny the allegations
28 of this paragraph.

1 268. Answering Paragraph 268, Defendants aver that on February
2 24, 2010, Thomas Weisel Partners published an analyst report regarding STEC,
3 which report is publicly available and speaks for itself. Defendants deny the
4 remaining allegations of Paragraph 268. Except as expressly admitted, Defendants
5 deny the allegations of this paragraph.

6 269. Answering Paragraph 269, Defendants aver that on February
7 24, 2010, Barron's published two articles regarding STEC, each of which is
8 publicly available and speak for themselves. Defendants deny the remaining
9 allegations of Paragraph 269. Except as expressly admitted, Defendants deny the
10 allegations of this paragraph.

11 270. Answering Paragraph 270, Defendants aver that this paragraph
12 sets forth Plaintiff's characterization of this action as well as legal conclusions and
13 does not purport to require a response from Defendants. To the extent that this
14 paragraph purports to contain factual assertions requiring a response, Defendants
15 deny the allegations contained therein.

16 271. Answering Paragraph 271 and its subparagraphs, Defendants
17 aver that this paragraph and its subparagraphs set forth Plaintiff's characterization
18 of this action as well as legal conclusions and do not purport to require a response
19 from Defendants. To the extent that this paragraph and its subparagraphs purport
20 to contain factual assertions requiring a response, Defendants deny the allegations
21 contained therein.

22 272. Answering Paragraph 272, Defendants aver that this paragraph
23 sets forth Plaintiff's characterization of this action as well as legal conclusions and
24 does not purport to require a response from Defendants. To the extent that this
25 paragraph purports to contain factual assertions requiring a response, Defendants
26 deny the allegations contained therein.

27 273. Answering Paragraph 273, Defendants aver that this paragraph
28 sets forth Plaintiff's characterization of this action as well as legal conclusions and

1 does not purport to require a response from Defendants. To the extent that this
2 paragraph purports to contain factual assertions requiring a response, Defendants
3 deny the allegations contained therein.

4 274. Answering Paragraph 274, with regard to the first sentence,
5 Defendants aver that this sentence sets forth Plaintiff's characterization of this
6 action as well as legal conclusions and does not purport to require a response from
7 Defendants. To the extent that the first sentence purports to contain factual
8 assertions requiring a response, Defendants deny the allegations contained therein.
9 With regard to the second sentence, Defendants admit that Manouch Moshayedi
10 and Mark Moshayedi signed STEC's SEC filings in connection with the Secondary
11 Offering, including the Registration Statement on Form S-3 and the Prospectus.
12 With regard to the third sentence, Defendants lack knowledge or information
13 sufficient to form a belief as to the truth of the allegations contained therein
14 regarding the representative plaintiff's alleged purchase of STEC securities and
15 deny the allegations on that basis. Defendants deny the remaining allegations of
16 Paragraph 274. Except as expressly admitted, Defendants deny the allegations of
17 this paragraph.

18 275. Answering Paragraph 275, with regard to the first sentence,
19 Defendants aver that on June 17, 2011, the Court dismissed Plaintiff's Securities
20 Act claims. Defendants will not address the allegations related to these claims, as
21 no response is required. With regard to the second sentence, Defendants lack
22 knowledge or information sufficient to form a belief as to the truth of the
23 allegations contained therein regarding the representative plaintiff's alleged
24 purchase of STEC securities and deny the allegations on that basis. Defendants
25 deny the remaining allegations of Paragraph 275.

26 276. Answering Paragraph 276, Defendants aver that this paragraph
27 sets forth Plaintiff's characterization of this action and does not purport to require a
28

1 response from Defendants. To the extent Paragraph 276 purports to contain factual
2 assertions requiring a response, Defendants deny the allegations therein.

3 277. Answering Paragraph 277, Defendants aver that STEC filed
4 with the SEC its 2009 10-K on February 23, 2010, which 10-K is publicly
5 available and speaks for itself. Further answering Paragraph 277, Defendants aver
6 that this paragraph sets forth Plaintiff's characterization of this action and does not
7 purport to require a response from Defendants. To the extent that this paragraph
8 purports to contain factual assertions requiring a response, Defendants deny the
9 allegations contained therein. Defendants deny the remaining allegations of
10 Paragraph 277. Except as expressly admitted, Defendants deny the allegations of
11 this paragraph.

12 278. Answering Paragraph 278 and its subparagraphs, Defendants
13 aver that this paragraph and its subparagraphs set forth Plaintiff's characterization
14 of this action as well as legal conclusions and do not purport to require a response
15 from Defendants. To the extent that this paragraph and its subparagraphs purport
16 to contain factual assertions requiring a response, Defendants deny the allegations
17 contained therein.

18 279. Answering Paragraph 279, Defendants aver that this paragraph
19 sets forth Plaintiff's characterization of this action as well as legal conclusions and
20 does not purport to require a response from Defendants. To the extent Paragraph
21 279 purports to contain factual allegations, Defendants deny the allegations
22 therein.

23 280. Answering Paragraph 280, Defendants aver that this paragraph
24 sets forth Plaintiff's characterization of this action as well as legal conclusions and
25 does not purport to require a response from Defendants. To the extent Paragraph
26 280 purports to contain factual allegations, Defendants deny the allegations
27 therein.

28

1 281. Answering Paragraph 281, Defendants aver that this paragraph
2 sets forth Plaintiff's characterization of this action as well as legal conclusions and
3 does not purport to require a response from Defendants. To the extent Paragraph
4 281 purports to contain factual allegations, Defendants deny the allegations
5 therein.

COUNT I

7 282. Answering Paragraph 282, Defendants incorporate their
8 answers to Paragraphs 1-281.

9 283. Answering Paragraph 283, Defendants aver that this paragraph
10 sets forth Plaintiff's characterization of this action as well as legal conclusions and
11 does not purport to require a response from Defendants. To the extent this
12 paragraph purports to contain factual allegations, Defendants deny the allegations
13 therein.

14 284. Answering Paragraph 284, Defendants incorporate their answer
15 to Paragraph 283.

16 285. Answering Paragraph 285, Defendants incorporate their answer
17 to Paragraph 283.

18 286. Answering Paragraph 286, Defendants incorporate their answer
19 to Paragraph 283.

20 287. Answering Paragraph 287, Defendants incorporate their answer
21 to Paragraph 283.

22 288. Answering Paragraph 288, Defendants incorporate their answer
23 to Paragraph 283.

24 289. Answering Paragraph 289, Defendants incorporate their answer
25 to Paragraph 283.

26 290. Answering Paragraph 290, Defendants incorporate their answer
27 to Paragraph 283.

1 291. Answering Paragraph 291, Defendants incorporate their answer
2 to Paragraph 283.

3 292. Answering Paragraph 292, Defendants incorporate their answer
4 to Paragraph 283.

5 293. Answering Paragraph 293, Defendants incorporate their answer
6 to Paragraph 283.

7 **COUNT II**

8 294. Answering Paragraph 294, Defendants incorporate their
9 answers to Paragraphs 1-293.

10 295. Answering Paragraph 295, Defendants aver that this paragraph
11 sets forth Plaintiff's characterization of this action as well as legal conclusions and
12 does not purport to require a response from Defendants. To the extent this
13 paragraph purports to contain factual allegations, Defendants deny the allegations
14 therein.

15 296. Answering Paragraph 296, Defendants incorporate their answer
16 to Paragraph 295.

17 297. Answering Paragraph 297, Defendants incorporate their answer
18 to Paragraph 295.

19 **COUNT III**

20 298. Answering Paragraph 298, Defendants incorporate their
21 answers to Paragraphs 1-297.

22 299. Answering Paragraph 299, Defendants aver that this paragraph
23 sets forth Plaintiff's characterization of this action as well as legal conclusions and
24 does not purport to require a response from Defendants. To the extent this
25 paragraph purports to contain factual allegations, Defendants deny the allegations
26 therein.

27 300. Answering Paragraph 300, Defendants incorporate their answer
28 to Paragraph 299.

1 301. Answering Paragraph 301, Defendants incorporate their answer
2 to Paragraph 299.

3 302. Answering Paragraph 302, Defendants incorporate their answer
4 to Paragraph 299.

5 303. Answering Paragraph 303, Defendants incorporate their answer
6 to Paragraph 299.

7 304. Answering Paragraph 304, Defendants aver that on June 17,
8 2011, the Court dismissed Plaintiff's Securities Act claims. Defendants will not
9 address the allegations related to these claims, as no response is required.

10 305. Answering Paragraph 305, Defendants incorporate their answer
11 to Paragraph 304.

12 306. Answering Paragraph 306, Defendants incorporate their answer
13 to Paragraph 304.

14 307. Answering Paragraph 307, Defendants incorporate their answer
15 to Paragraph 304.

16 308. Answering Paragraph 308, Defendants incorporate their answer
17 to Paragraph 304.

18 309. Answering Paragraph 309, Defendants incorporate their answer
19 to Paragraph 304.

20 310. Answering Paragraph 310, Defendants incorporate their answer
21 to Paragraph 304.

22 311. Answering Paragraph 311, Defendants incorporate their answer
23 to Paragraph 304.

24 312. Answering Paragraph 312, Defendants incorporate their answer
25 to Paragraph 304.

26 313. Answering Paragraph 313, Defendants incorporate their answer
27 to Paragraph 304.

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314. Answering Paragraph 314, Defendants incorporate their answer
to Paragraph 304.

3 315. Answering Paragraph 315, Defendants incorporate their answer
4 to paragraph 304.

5 316. Answering Paragraph 316, Defendants incorporate their answer
6 to Paragraph 304.

7 317. Answering Paragraph 317, Defendants incorporate their answer
8 to Paragraph 304.

9 318. Answering Paragraph 318, Defendants incorporate their answer
10 to Paragraph 304.

11 319. Answering Paragraph 319, Defendants incorporate their answer
12 to Paragraph 304.

320. Answering Paragraph 320, Defendants incorporate their answer
to Paragraph 304.

15 321. Answering Paragraph 321, Defendants incorporate their answer
16 to Paragraph 304.

17 322. Answering Paragraph 322, Defendants incorporate their answer
18 to Paragraph 304.

19 323. Answering Paragraph 323, Defendants incorporate their answer
20 to Paragraph 304.

324. Answering Paragraph 324, Defendants incorporate their answer
to Paragraph 304.

COUNT IV

26 326. Answering Paragraph 326, Defendants incorporate their answer
27 to Paragraph 304.

1 327. Answering Paragraph 327, Defendants incorporate their answer
2 to Paragraph 304.

3 328. Answering Paragraph 328, Defendants incorporate their answer
4 to Paragraph 304.

5 329. Answering Paragraph 329, Defendants incorporate their answer
6 to Paragraph 304.

7 330. Answering Paragraph 330, Defendants incorporate their answer
8 to Paragraph 304.

9 331. Answering Paragraph 331, Defendants incorporate their answer
10 to Paragraph 304.

11 332. Answering Paragraph 332, Defendants incorporate their answer
12 to Paragraph 304.

13 333. Answering Paragraph 333, Defendants incorporate their answer
14 to Paragraph 304.

15 **COUNT V**

16 334. Answering Paragraph 334, Defendants incorporate their answer
17 to Paragraph 304.

18 335. Answering Paragraph 335, Defendants incorporate their answer
19 to Paragraph 304.

20 336. Answering Paragraph 336, Defendants incorporate their answer
21 to Paragraph 304.

22 337. Answering Paragraph 337, Defendants incorporate their answer
23 to Paragraph 304.

24 338. Answering Paragraph 338, Defendants incorporate their answer
25 to Paragraph 304.

26 339. Answering Paragraph 339, Defendants incorporate their answer
27 to Paragraph 304.

28

340. Answering Paragraph 340, Defendants incorporate their answer
to Paragraph 304.

COUNT VI

4 341. Answering Paragraph 341, Defendants incorporate their answer
5 to Paragraph 304.

342. Answering Paragraph 342, Defendants incorporate their answer
to Paragraph 304.

8 343. Answering Paragraph 343, Defendants incorporate their answer
9 to Paragraph 304.

10 344. Answering Paragraph 344, Defendants incorporate their answer
11 to Paragraph 304.

12 345. Answering Paragraph 345, Defendants incorporate their answer
13 to Paragraph 304.

14 346. Answering Paragraph 346, Defendants incorporate their answer
15 to Paragraph 304.

16 347. Answering Paragraph 347, Defendants incorporate their answer
17 to Paragraph 304.

18 348. Answering Paragraph 348, Defendants incorporate their answer
19 to Paragraph 304.

20 349. Answering Paragraph 349, Defendants incorporate their answer
21 to Paragraph 304.

22 350. Answering Paragraph 350, Defendants incorporate their answer
23 to Paragraph 304.

24 351. Answering Paragraph 351, Defendants incorporate their answer
25 to Paragraph 304.

26 352. Answering Paragraph 352, Defendants incorporate their answer
27 to Paragraph 304.

353. Answering Paragraph 353, Defendants incorporate their answer
to Paragraph 304.

COUNT VII

4 354. Answering Paragraph 354, Defendants incorporate their answer
5 to Paragraph 304.

6 355. Answering Paragraph 355, Defendants incorporate their answer
7 to Paragraph 304.

8 356. Answering Paragraph 356, Defendants incorporate their answer
9 to Paragraph 304.

10 357. Answering Paragraph 357, Defendants incorporate their answer
11 to Paragraph 304.

12 358. Answering Paragraph 358, Defendants incorporate their answer
13 to Paragraph 304.

14 359. Answering Paragraph 359, Defendants incorporate their answer
15 to Paragraph 304.

16 360. Answering Paragraph 360, Defendants incorporate their answer
17 to Paragraph 304.

18 361. Answering Paragraph 361, Defendants incorporate their answer
19 to Paragraph 304.

20 362. Answering Paragraph 362, Defendants incorporate their answer
21 to Paragraph 304.

22 363. Answering Paragraph 363, Defendants incorporate their answer
23 to Paragraph 304.

24 364. Answering Paragraph 364, Defendants incorporate their answer
25 to Paragraph 304.

26 365. Answering Paragraph 365, Defendants incorporate their answer
27 to Paragraph 304

1 366. Answering Paragraph 366, Defendants incorporate their answer
2 to Paragraph 304.

3 **COUNT VIII**

4 367. Answering Paragraph 367, Defendants incorporate their answer
5 to Paragraph 304.

6 368. Answering Paragraph 368, Defendants incorporate their answer
7 to Paragraph 304.

8 369. Answering Paragraph 369, Defendants incorporate their answer
9 to Paragraph 304.

10 **PRAYER FOR RELIEF**

11 To the extent that any response is required to Plaintiff's prayer for
12 relief, Defendants deny each and every allegation contained therein.

13 **JURY DEMAND**

14 Defendants demand a trial by jury on all triable issues.

15
16 Defendants reserve the right to amend their Answer as necessary once
17 the precise nature of the relevant circumstances or events is determined through
18 discovery.

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AFFIRMATIVE DEFENSES

Without admitting or acknowledging that the Defendants bear any burden of proof as to any of them, Defendants assert the following affirmative defenses:

First Affirmative Defense

The Second Consolidated Amended Complaint, and each claim alleged therein, fails to state a claim upon which relief can be granted.

Second Affirmative Defense

9 The claims alleged in the Second Consolidated Amended Complaint
10 are barred in whole or in part by the doctrines of waiver, estoppel, ratification, or
11 unclean hands.

Third Affirmative Defense

13 Certain alleged untrue statements of material fact, omissions of
14 material fact, misleading statements, or other challenged statements allegedly made
15 by Defendants are rendered non-actionable by the Safe Harbor provisions of the
16 Private Securities Litigation Reform Act of 1995, adding Section 21E to the
17 Securities Exchange Act of 1934, as codified at 15 U.S.C. § 78u-5(c).

Fourth Affirmative Defense

19 Factors other than the allegedly untrue statements of material fact,
20 omissions of material fact, misleading statements, or other actions by any of the
21 Defendants, which actions the Defendants deny, influenced the value of the shares
22 when Lead Plaintiff or members of the purported class allegedly acquired their
23 shares, and these other factors or similar factors led to any alleged decline in the
24 value of the shares.

Fifth Affirmative Defense

26 Lead Plaintiff and members of the purported class have failed to make
27 reasonable efforts to mitigate any injury or damage they may have suffered, which
28 would have prevented or reduced their injury or damages, if any.

Sixth Affirmative Defense

Some or all of the members of the purported class did not rely on the statements alleged in the Second Consolidated Amended Complaint to be false or misleading.

Seventh Affirmative Defense

6 Many of the matters now alleged to be the subject of
7 misrepresentations and omissions were publicly disclosed or were in the public
8 domain, and as such were available to Lead Plaintiff, other members of the
9 purported class or the securities markets and were at all times reflected in the price
10 of STEC's stock.

Eighth Affirmative Defense

12 Lead Plaintiff or other members of the purported class had actual or
13 constructive knowledge of some or all of the facts alleged in the Second
14 Consolidated Amended Complaint upon which Defendants' liability is asserted, at
15 the time that such class members purchased STEC stock. These persons assumed
16 the risk that the value of the STEC stock could decline.

Ninth Affirmative Defense

18 Lead Plaintiff's claims are barred in whole or part because the
19 statements, reports, and/or filings allegedly issued by Defendants contained
20 sufficient cautionary language, and bespoke caution with respect to the subject
21 matter of each misrepresentation or omission alleged in the Second Consolidated
22 Amended Complaint, so as to warn Lead Plaintiff and members of the purported
23 class of the risks of investing in STEC stock.

Tenth Affirmative Defense

25 Certain members of the purported class would have acquired STEC
26 common stock even if, at the time the stock was acquired, the purported class
27 members had known of the allegedly untrue statements of material fact, omissions

1 of material fact, misleading statements, or other wrongful conduct upon which
2 Defendants' liability is asserted.

3 **Eleventh Affirmative Defense**

4 When they acquired shares of STEC common stock, certain members
5 of the purported class knew, or in the exercise of reasonable care should have
6 known, of facts with respect to the allegedly untrue statements of material fact,
7 omissions of material fact, misleading statements, or other actions by Defendants
8 alleged in the Second Consolidated Amended Complaint, and each member of the
9 purported class was negligent, and this negligence was a cause-in-fact and a
10 proximate cause of any alleged damages. Such negligence bars recovery in whole
11 or in part by each member of the purported class.

12 **Twelfth Affirmative Defense**

13 No act or omission attributed to any Defendant in the Second
14 Consolidated Amended Complaint was the actual or proximate cause of any injury
15 suffered by Lead Plaintiff or any member of the purported class.

16 **Thirteenth Affirmative Defense**

17 Any recovery for damages, if any, allegedly incurred by Lead Plaintiff
18 or the purported class is limited to the percentage of responsibility of Defendants in
19 proportion to the total fault of all persons, named as parties to this action or not,
20 who caused or contributed to Lead Plaintiff's or the purported class members'
21 alleged damages, pursuant to the Proportionate Liability provisions of the Private
22 Securities Litigation Reform Act of 1995, as codified at 15 U.S.C. § 78u-
23 4(f)(2)(B). The acts and practices of persons or entities not associated with
24 Defendants and ongoing economic events constitute independent intervening and
25 superseding causes of the alleged harm, if any, suffered by Lead Plaintiff or
26 members of the purported class, relieving Defendants of any liability.

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Fourteenth Affirmative Defense

2 Any recovery for damages, if any, allegedly incurred by Lead Plaintiff
3 or members of the purported class is subject to offset in the amount of any tax
4 benefits actually received by Lead Plaintiff or each member of the purported class
5 through their investments.

Fifteenth Affirmative Defense

7 Defendants are not liable for certain statements alleged in the Second
8 Consolidated Amended Complaint to be untrue or to have omitted a material fact
9 because Lead Plaintiff and the members of the purported class abandoned or
10 waived claims based on these alleged statements.

Sixteenth Affirmative Defense

12 Each and every one of Defendants alleged to be a control person
13 under Section 20(a) of the 1934 Act acted in good faith and did not directly or
14 indirectly induce any acts constituting the alleged violations and causes of action.

Seventeenth Affirmative Defense

16 In executing or authorizing the execution and/or publication of any
17 document containing the statements complained of in the Second Consolidated
18 Amended Complaint, Defendants were entitled to, and did, reasonably and in good
19 faith rely upon the work and conclusions of other professionals and experts.

Eighteenth Affirmative Defense

21 Lead Plaintiff's claims are barred, in whole or in part, because each
22 and every Defendant acted in good faith and in conformity with all applicable
23 federal statutes, including the Exchange Act, as amended, the Private Securities
24 Litigation Reform Act of 1995, and all applicable rules and regulations
25 promulgated thereunder.

Nineteenth Affirmative Defense

27 Lead Plaintiff lacks standing to assert the claims set forth in the
28 Second Consolidated Amended Complaint.

Twentieth Affirmative Defense

The Second Consolidated Amended Complaint fails to meet the pleading requirements of the Federal Rules of Civil Procedure and the pleading requirements for securities fraud actions of the Private Securities Litigation Reform Act of 1995, as codified at 15 U.S.C. § 78u-4(b)(1)-(2).

Twenty-First Affirmative Defense

The claims alleged in the Second Consolidated Amended Complaint are barred in whole or in part by the applicable statute(s) of limitations.

Twenty-Second Affirmative Defense

Even if the misrepresentations and omissions alleged in the Second Consolidated Amended Complaint were made, which Defendants deny, Defendants did not know, and in the exercise of reasonable care could not have known, of any such misrepresentations or omissions.

Twenty-Third Affirmative Defense

15 Some or all of Lead Plaintiff's alleged damages, if any, did not result
16 from the portions of the statements alleged to be untrue or misleading.

Twenty-Fourth Affirmative Defense

18 Lead Plaintiff's claims are barred in whole or in part by the doctrines
19 of res judicata and/or collateral estoppel.

Twenty-Fifth Affirmative Defense

If any false or misleading statement was made, or if any material fact required to be stated or necessary to make any statement made not misleading was omitted, which Defendants deny, then no Defendant acted with the state of mind required to support liability under Section 10(b) of the Securities Exchange Act of 1934, Rule 10(b)-5 promulgated thereunder, and/or Section 20(a) of the Securities Exchange Act of 1934.

Twenty-Sixth Affirmative Defense

If any false or misleading statement was made, or if any material fact required to be stated or necessary to make any statement made not misleading was omitted, which Defendants deny, then some or all of such statements were not material or otherwise legally actionable on any theory.

Twenty-Seventh Affirmative Defense

7 Lead Plaintiff's claims for "control person" liability are barred in
8 whole or in part because Lead Plaintiff cannot establish the primary liability
9 necessary to support such claims. Lead Plaintiff would be unjustly enriched if
10 Lead Plaintiff were allowed to recover anything in this action.

Twenty-Eighth Affirmative Defense

Defendants contend that this lawsuit should not proceed as a class action on the grounds that, *inter alia*, Lead Plaintiff lacks standing to represent the purported class, and is not typical of, and does not and cannot fairly and adequately represent the purported plaintiff class, and because a class action will not be superior to other methods available for the adjudication of this controversy.

Twenty-Ninth Affirmative Defense

18 Lead Plaintiff's claims are barred, in whole or in part, to the extent
19 they seek relief for conduct prior to the class period.

Thirtieth Affirmative Defense

Lead Plaintiff's claims are barred, in whole or in part, because of the lack of transaction causation and/or loss causation.

23 Defendants reserve the right to assert additional affirmative defenses
24 once the precise nature of the relevant circumstances or events is determined
25 through discovery.

1 WHEREFORE, Defendants pray that this Court enter judgment as
2 follows:

3 1. That judgment be entered in favor of Defendants;
4 2. For costs, attorneys' fees, and court hearing fees incurred
5 herein;
6 3. For such other and further relief as this Court deems just and
7 proper.

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9 Dated: July 15, 2011

Respectfully submitted,

10 LATHAM & WATKINS LLP

11
12 By /s Michele D. Johnson

13 Michele D. Johnson
14 Attorneys for Defendants STEC, Inc.,
15 Manouch Moshayedi, Mark
16 Moshayedi, Raymond D. Cook, and
17 Rajat Bahri